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Publications

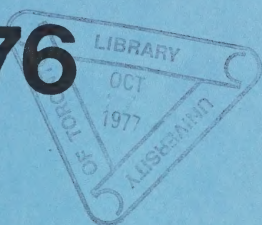
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Canadian Radio-television and
Telecommunications Commission

Conseil de la radiodiffusion et des
télécommunications canadiennes

1976



COMMENTS

COMMENTAIRES

Pay Television

Télévision à péage

VOLUME 3

Nos. 50 thru 69

Nos. 50 à 69

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COMMENTS/COMMENTAIRES

1976

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THE
LIBRARY
OF THE
UNITED STATES
DEPARTMENT OF
THE ARMY
WASHINGTON, D. C.



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The following is a list of the books in the collection of the United States Department of the Army, Washington, D. C. The books are arranged in alphabetical order of the author's name.

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BMI CANADA LIMITED

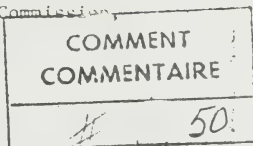


41 Valleybrook Drive, Don Mills, Ontario M3B 2S6
Tele. 06-966634
Cable: Canmus Toronto, Telephone (416) 445-8700

S. Campbell Ritchie
General Manager

September 24, 1976.

Mr. Guy Lefebvre,
Secretary General,
Canadian Radio-Television
and Telecommunications Commission,
100 Metcalfe Street,
Ottawa, Ontario,
K1A 0N2.



Received By - Roger Dufour
SECRETARIAT

OCT 1 1976

C.R.T.C.

Dear Mr. Lefebvre:

BMI Canada Limited supports in principle the formation of a Pay TV service to assist in the distribution of Canadian creative works. It is our hope that the establishment of such a system, will give consideration to the necessary licensing of such a service for the use of musical works, i.e. feature music, theme music, music used in the production of films and background for dramatic and sports presentations.

We earnestly ask that in establishing whatever body will be responsible for the ownership, production and programming of a Pay TV system that recognition of the creators of Canada's music be insisted upon.

The copyright in his creative work is one of the few assets in the hands of a composer. To protect his performing right in that copyright is our responsibility and the responsibility of any organization interested in the growth of the creative arts in Canada.

BMI Canada Limited is a wholly Canadian owned, non-profit performing rights organization recognized under the Copyright Act R.S., C 55 S. 1.

BMI Canada Limited as of August 31, 1976 has a total of 6,554 writer, composer affiliates and 1,220 music publisher affiliates, all Canadian, creating Canadian music.

.../2

We are also privileged to license in Canada the musical works of thousands of writers and composers from thirty-six countries around the world.

Our service is licensing the use of music and distributing the monies collected in the form of performance royalty payments to those writers, composers and publishers whose works have been performed.

Tariffs collectable by BMI Canada Limited are annually approved by the Copyright Appeal Board and published in the Canada Gazette by the Commissioner of Patents under the authority of the Minister of Consumer and Corporate Affairs.

We at BMI Canada Limited will be pleased at anytime to present further views either in writing or in person.

This letter is merely to bring to your attention a sometimes neglected consideration in respect to program planners.

Sincerely,

A handwritten signature in cursive script, appearing to read "J. Litchie".

SCR/dp

Sub:
972-21
P2

Directors Guild of Canada,
27 Front St., W. Suite 810,
Toronto, Ontario,
September 29, 1976.

Guy Lefebvre,
Director-General Licensing,
CRTC,
100 Metcalfe Street,
Ottawa, Ontario,
K1A 0n2.

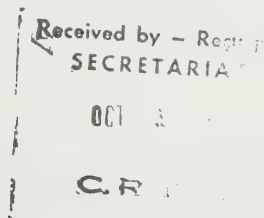


Dear Sir;

Enclosed is the Directors Guild of Canada brief on pay television.

Yours very truly,

V. Goetzelman
Vladimir Goetzelman.



Brief to the
CANADIAN RADIO AND TELEVISION COMMISSION

On the introduction of

PAY TELEVISION
TO CANADA

Submitted by: The DIRECTORS GUILD OF CANADA

September 30th., 1976.

INTRODUCTION

The DIRECTORS GUILD OF CANADA considers the introduction of PAY TV to be an event of critical importance to the future of the creative community of Canada.

As PAY TV is a method of delivering high-quality, high audience appeal programs such as feature films, popular cultural and sports events to an audience which responds by paying for the programs directly - the GUILD sees it as the first opportunity in our history for independent Canadian Producers to have direct access to our own market - and through our own market to the international marketplace.

We would ask the Commission to implement PAY TV as soon as there has been an opportunity for public discussion and as soon as a feasible system can be selected.

THE MAIN HURDLE

To achieve Madame Sauve's stated goal of establishing a "truly Canadian production industry" it must be recognized that we have had a long history of existing side by side with the greatest entertainment production industry in the world.

Our Prime Minister has described our situation as being that of a mouse existing beside an elephant, forever alert and watchful in case the elephant should inadvertently turn over in its sleep and snuff out our existence. The very presence of this monolithic industry in the United States has had a very negative effect on our own ability to develop and produce entertainment programs.

Although Canadians have achieved a great deal in the field of Radio Broadcasting and in Documentary Films, neither of these fields draw the same kind of substantial returns from the market as do Television Series and Feature Films.

Despite continuing attempts to initiate production in these fields, we have experienced a continuous drain of talent, especially business and entrepreneurial talent, to the United States. While individually, many of these people may

THE MAIN HURDLE (CONT'D)

choose to remain Canadians, to date, they have no real choice except to work outside the country.

With the advent of Television, this drain was slowed slightly, but generally speaking, we continue to lose with discouraging regularity, a great number of creative people who are absolutely vital to the development of a healthy production industry.

With our own Canadian Broadcasting Corporation leading the way by paying the highest prices by anyone in the world outside the United States for American programs; and with the Private TV Networks in Canada hard pressed to pay as much as they can afford for these same programs; we can now proudly boast that we have become the number one consumer of American programs in the world.

The only way in which we can change this unilateral pattern of being the greatest consumer of American programs on the one hand and sending them some of our best creative talent in order that they can create those same programs on the other - is to find a way to break the system.

We believe that the introduction of a distinct Canadian PAY TV SYSTEM can be the catalyst in breaking that system if it is introduced properly and does not follow the pattern of the past.

THE AUDIENCE FOR PAY TV

The demographics of the potential audience for PAY TV would suggest that it is a very different audience from that of the present moviegoing audience, from the captive audience that the hotel operators are catering to, or even the regular viewing audience for 'free' television.

For Feature Film Distributors, it is clear that they will not be as hard hit by PAY TV as they suggest and it would seem to confirm the theory that a wide range of new and different movie fare can be developed for this new audience.

THE AUDIENCE FOR PAY TV (CONT'D)

For Canadian producers, PAY TV is a "once-in-a-lifetime" opportunity to break away from the stranglehold imposed by low-budget production and to develop not only a wide range of new subject matter and treatment but to broaden the spectrum of film and television programs from those currently being produced in Canada.

HARDWARE

Hardware selection is a crucial first decision point. If the hardware allows for a subscription hook-up only, the resulting application of return per program will likely be based on a percentage split of all subscription money, after all the hardware costs have been deducted.

To the producer of the program, this will mean a smaller return than by a system of pay-per-program. A subscription system will create a fixed return regardless of the merit of the program.

It may be argued that a subscription system, because of the lower hardware investment, will benefit the program returns as well as returning a fixed percentage to programs which are less popular such as Canadian Features, Experimental Programs, Local Drama, etc.. However, a fixed return will turn the program into "product" and, like all product, it will become subject to pressures to reduce costs. This has happened in the United States and it is therefore likely to happen under any subscription system.

To clarify this system, one should visualize the lead programs as 'locomotives' which are used to pull the 'freight' of the less popular programs. The freight 'drag' brings down the cost effectiveness of the locomotive and therefore the price. The price of the freight programs will have to come down because of their drag on the whole system.

PAY-PER-PROGRAM

Pay-Per-Program creates a measurable response from the audience. As performance figures are not 'averaged', the program lives and is paid for on the basis of it's own performance. The 'locomotive-freight' effect is eliminated.

The risk is higher per program, but if the percentage share of the dollar box-office return is fair, Pay-Per-Program can return enough money to pay for programs even if the audience is not great. This has been amply demonstrated by Network One in Toronto and the Pay-Per-Play Network in Columbus, Ohio.

THE NETWORK

Duplication of delivery-system hardware has to be avoided. This implies the use of the cable systems as they now exist. Collecting and tolling systems should be designed according to proven technical expertise.

The proposal of Bell Canada and the technology devised by Network One in Toronto both appear to have merit in this area.

The responsibility and ownership of this hardware should remain in private hands. Management should reflect the interests of the risk-takers, both for hardware and software producers. If there is a role for the Government, it should be in the capacity of "ombudsman" to ensure the balance between hardware and software owners.

The most crucial element is the awareness that PAY TV must be made to work with respect to the user. We must avoid seeing PAY TV as an effortless source of profit for hardware interests and endless exposure for immature producers.

CURRENT PAY TV PROPOSALS

For some time now we have been hearing from three different interest groups as they struggle to get their own way. All are convinced that they are right - in spite of the overwhelming evidence of the past decade indicating that they have not been right before - and all insist that they must control the new PAY TV system in order to achieve their goals.

The Cable Companies:

The best organized and most vocal group is a consortium formed by the three largest Cable Companies in Canada, (Rogers, Metro and National), who saw early the possibilities of cross-ownership and formed the PAY TV Network.

This organization is promoting a form of "Home Box Office" subscription network by which they expect to be able to establish complete control over the production and distribution of PAY TV.

Given the fact that subscription experiments in the United States are losing customers almost as fast as they can sign new ones - and given the abysmally poor record of the Cable Companies in the area of developing new programs - the production people in Canada naturally see this effort as a transparent ploy to use the potential earnings of PAY TV to consolidate a monopoly position for the Cable Companies in order to obtain maximum profits for their shareholders and nothing more.

The Broadcasters:

Initially indifferent to PAY TV, the Broadcasters have now recognized a similar self-interest in a subscription form of PAY TV and are hurrying into the lists.

The main difference in their proposal is that they would like to use the revenue generated by a staple of foreign made feature films to enhance their own over-the-air production. (Thereby increasing the profits for their shareholders.)

CURRENT PAY TV PROPOSALS (CONT'D)

Again, the production people see this as a repetition of the Cable proposal and, to add insult to injury, many production people can remember the original hearings before the Board of Broadcast Governors in 1961, when these same broadcasters promised anything in order to get their licences and then spent the next 15 years justifying themselves to the CRTC because of their inability to achieve more than a small fraction of the Canadian programs they promised to the Commission.

Their publicly stated attitude then was that a television licence was a "licence to print money" and most production people are convinced that they see PAY TV in much the same way. Production people see history repeating itself all over again and are convinced, and probably quite rightly, that if the Broadcasters gain control over PAY TV, the opportunity to change the system will be irrevocably lost.

The Production People:

A number of people involved in the production of programs are rallying behind a form of PAY TV that calls for the Network to be a common carrier, for the system to be "Pay-Per-Program and for the programs to be 100% Canadian.

While there is no question that, theoretically, 100% Canadian content would be an ideal response to Madame Sauve's stated goals - it is very doubtful if the Canadian audience would accept this quantum jump all in one stroke - and it is also very doubtful whether the production industry could cope with the enormous amount of high-quality production which would be required from a standing start.

We believe that this proposition is unrealistic. We believe that what the Canadian production industry needs is not an exclusive on the marketplace - but a clear and genuine opportunity to compete with foreign entertainment programs on the same terms. We must remember that PAY TV is a relatively new medium and that it will ultimately be activated and sustained by the audience. It is the audience that is missing from all the proposals we have heard to date and it is the absence of this critical element which invalidates all of these proposals.

THE DIRECTORS GUILD PROPOSAL

The DIRECTORS GUILD OF CANADA would like to present the following proposal for PAY TV which has been developed entirely from the point of view of the AUDIENCE.

We believe that our proposal will not only serve the tastes and interests of the Canadian public, but because we have made their interests our primary concern, we believe that our proposal can produce harmonious co-operation between Production People, Broadcasters and Cable Companies.

For the moment, we call it the "Happiness for Everyone" proposal for PAY TV, or the H E P-TV PROPOSAL.

H E P-TV'S POTENTIAL MARKET

At present there are approximately 3 million cabled homes in Canada. Nationally, this represents almost 50% of all TV homes. We are assuming that the present 3 million cabled homes will constitute the initial H E P-TV AUDIENCE.

We project that each PAY TV home will spend \$3.00 per week to watch one program of their choice.

Currently available data shows that the average TV home watches approximately 36 hours of 'free' TV per week. PAY TV will only use up 2 hours of the average 36 hours of viewing time. In fact, the over-the-air audience may well watch PAY TV in addition to their present viewing patterns.

Three dollars per week per household is a reachable figure if one considers the buying power, or rather lack of buying power, per dollar.

Three dollars per week multiplies into amazing per year figures. However, we should remember that \$3.00 is the price of 3 packages of cigarettes, or 2 drinks at a bar, a short cab ride, 2 1/2 magazines, 1 1/2 paper backs, 3 Big Macs, 10 cokes, etc.. In other words, \$3.00 is easily spent per person. It is even more easily spent per household.

H E P-TV HARDWARE SYSTEM

The rapid advance of Video-Tape technology in areas of image enhancement and quality control makes it clear that the 3/4" Play-back and Cassette system should be the Head-end technology of choice.

A sophisticated bicycle distribution system using 100 Cassettes per program should be adequate to cover the country. The cost per 2 hour Cassette is about \$120.00 .

This Play-back system in combination with the Addressable Tap or the "Network One" technology will economise the initial hardware investment cost of the Cable/Exhibitor partner of the envisaged Pay-Per-Program system.

H E P-TV PROGRAM (SOFTWARE) SYSTEM

Each night of the week, 2 UHF channels will offer 4 programs in prime time.....(see schedule on the next page).

(The projected program grid is based on twelve 4 week months. The final grid would be based on the full 52 week annual cycle.)

The system carries 12 programs each month. Each program gets 8 exposures each month leaving 4 days in the month open for "special" purposes.

BOX OFFICE (TOTAL AND AVERAGES)

Three million homes watch one program per week or 4 programs per month. The cost per viewing (ticket price) is \$3.00.

Twelve million viewing tickets per month gross 36 million dollars per month. The 36 million dollars per month Box Office is shared by 12 programs.

The average potential share per program is 3 million dollars.

1st WEEK				2nd WEEK				3rd WEEK				4th WEEK			
CHANNEL A		CHANNEL B		CHANNEL A		CHANNEL B		CHANNEL A		CHANNEL B		CHANNEL A		CHANNEL B	
	7pm-8pm	8pm-9pm	9pm-10pm	10pm-11pm	11pm-12am	12am-1am	1am-2am	2am-3am	3am-4am	4am-5am	5am-6am	6am-7am	7am-8am	8am-9am	9am-10am
MONDAY	1	2	3	4	9	10	11	12	9	10	11	12	5	6	7
TUESDAY	5	6	7	8	1	2	3	4	Special				9	10	11
WEDNESDAY	9	10	11	12	5	6	7	8	1	2	3	4	Special		
THURSDAY	Special Programming				9	10	11	12	5	6	7	8	1	2	3
FRIDAY	1	2	3	4	Special				9	10	11	12	5	6	7
SATURDAY	5	6	7	8	1	2	3	4	5	6	7	8	9	10	11
SUNDAY	9	10	11	12	5	6	7	8	1	2	3	4	1	2	3

DISTRIBUTION OF REVENUE

H E P-TV will split the total Box Office initially on a 50/50 basis between the Cable Exhibitor and the Producer.

This division implies equal risks and equal returns.

The Hardware partners risk initial investment capital and they will be responsible for maintaining the system, for billing and collecting revenues. The Cable/Exhibitor partner does not control programming because their profit comes from their share of the total Box Office and is therefore independent from the Box Office of the individual program.

The Producer risks initial development and production money and each program competes on merit.

A look at the possible maximum and minimum returns will illustrate the potential returns for that initial risk.

MAXIMUM PER PROGRAM BOX OFFICE GROSS

All viewers watch one program per week or 4 per month. It is possible that one program could gross 9 million dollars, but this is very unlikely.

A more useful estimate is that each program will share 1/12 of the monthly gross of 36 million dollars. After a 50/50 split with the Cable/Exhibitor partner the average revenue per program would be 1/12 of 18 million dollars, or 1.5 million dollars.

MINIMUM PER PROGRAM BOX OFFICE RETURNS

If only 1% of the audience watch a program, the producer's share of the monthly ticket gross would be 120 thousand tickets, or 180 thousand dollars, after the 50/50 split with the Cable/Exhibitor partner.

PROGRAM SELECTION FOR H E P-TV

Initially, access to the system is limited to 144 programs per year. The system could admit double the number of programs by halving the exposure rate. However, the result would be a dilution of Box Office returns per program. Extending the running time beyond prime time would not significantly increase the operating costs, but again, this would have to be studied for its effect on the Box Office. This concern may be premature because the production of 144 quality programs will be a challenging task for the industry.

Now the question arises as to who will determine which programs will be shown on the system. At this point the H E P-TV PROPOSAL enters new territory. Because the system has been designed for the audience - it is the audience who decides what it wants to watch.

This can be achieved by the following means.

All programs are advertised on a preview channel. Through a separate function of the computer retrieval system necessary for recording watched programs, the audience would indicate their desire in advance to view particular programs. By tabulating the responses, the 12 most wanted choices will make up the following month's schedule.

The system has multiple benefits. The first one is that the program aired will be a program that is subsequently watched. Secondly, it satisfies regional tastes, since program mix is established by regional tabulation. It protects hardware partners from unwanted programs both nationally and regionally and therefore increases the system's appeal and efficiency.

To the producer it offers the chance to find his audience. His risk is not as high as it may appear to be at first because of the maximum-minimum figures. One percent of the national audience is still only 120 thousand people, wherever they are. If a program is of interest to a minority audience, the Producer may find his audience to be, for example, 6% in Ontario but only 1% in the Maritimes. He has only to be concerned with finding 1% nationally. If he aims for a broader appeal, his return of course, will be higher. Practical experience shows that the return will be balanced by higher production costs. For the first time in Canadian history it will be possible to prosper or at least recoup negative cost in the home market. No doubt this will encourage production.

INCENTIVES FOR CANADIAN PRODUCTION

Because the audience selects the programs, the system initially will run a high percentage of foreign made productions. This is beneficial in the beginning to the Canadian Producer since it will launch the system and make it desirable for the audience.

We believe that Canadian Producers, given the same opportunities, are capable of competing with foreign made programs. We believe that Canadian made programs will find their audience after a short start-up period. Rather than imposing quotas on the system, we would stipulate a 10% levy on Foreign-made programs from their share of the Box Office on H E P-TV.

This money will be used to create an incentive for Canadian production. It will be added to the Canadian Producer's share of accepted programs based on the Canadian program's share of the Box Office.

If, for example, the overall Canadian share of the gross is only 10% in the first year - the 10% levy on Foreign made programs will net the Canadian Producer a total of 100% return on his programs. When the Canadian share has grown to 50% overall - the addition of the 10% levy on Foreign made programs would still net the Canadian Producer 55% on their programs as opposed to the regular 50% after the deduction of 50% for the Cable/Exhibitor partner.

all figures in millions

EG.	Gross	Hard-ware Split	Soft-ware Split	Foreign Share	10% Levy	Foreign adjusted	Foreign % age return	Can. share	Can. adjusted	Canadian percentage on return
1	432	216	216	200	20	180	45%	16	36	112%
2	432	216	216	180	18	162	45%	36	54	76%
3	432	216	216	150	15	135	45%	66	81	61%
4	432	216	216	120	12	108	45%	95	108	56%
5	432	216	216	100	10	90	45%	116	126	54%
6	432	216	216	10	1	9	45%	206	207	50+%

SUMMARY

This system is not unlike the present supermarket. The items all have room on the shelves and the viewer picks them according to his or her preference.

The system rolls all present programming, exhibition and distribution systems into one. The system is designed for maximum efficiency.

The system is owned by no one interest group. Risk, profit and labour are equally shared.

The Audience selects its preferences. In the end, the public will dominate the system.

There will have to be a small centralized information clearing house. If computer technology is properly utilized the cost of this service will be a small fraction of the potential gross revenue. The computer will not exercise its opinion. It will make no programming decisions.

Can we ask for more ?

THE H E P-TV PROPOSAL WORKS FOR CABLE COMPANIES

Because it relieves them from the obligation of creating the programs and at the same time, it guarantees them a paying audience, (from the preview system) and it stipulates initially that they will receive 50% of the Box Office.

THE H E P-TV PROPOSAL WORKS FOR BROADCASTERS

First run, Theatrical Feature Films have never been available to over-the-air Broadcasters until a majority of the audience has been able to see them first without commercial interruption. They can't seriously complain about syphoning and fragmentation if the material presented would not normally be seen on 'free' television and the system is operating on the basis that the viewer will watch only one program per week.

The Canadian programs which have been developed for PAY TV will eventually be available for over-the-air TV and they will help the Broadcasters to satisfy their Canadian content obligations.

For the CBC, it will take the onus off that organization to be the 'everything' to Canadian culture. The Corporation can concentrate on less commercially oriented programs and spread its resources over a wider spectrum.

THE H E P-TV PROPOSAL WORKS FOR CANADIAN PRODUCERS

By providing them with first access to an almost unlimited market.

By providing them with a tremendous competitive advantage, especially in the start-up period.

The United States dominates the international marketplace. The only other country to penetrate this market in any significant way has been the United Kingdom with its elegant Costume Dramas, Documentary Series and the occasional "James Bond".

With the programs generated by the H E P-TV PROPOSAL, Canadians will be able to penetrate the international market and Producers can expect revenue from this source as well.

The ancillary benefits that will flow out of the primary market will be a Canadian "Star System", an aggressive international marketing capacity and a whole new field for Marketing and Promotion Companies.

THE H E P-TV PROPOSAL WORKS FOR CANADIAN ARTISTS

By creating a Canadian "Star System".

By giving Canadian performers and artists a showcase in which they can control their own presentation to the audience without fear of over-exposure or under-production.

THE H E P-TV PROPOSAL WORKS FOR INTERNATIONAL PACKAGERS

By assuring Canadian Packagers of a marketing "Territory" the H E P-TV PROPOSAL will make possible for the first time in our history a platform from which to negotiate equitable co-productions on an international scale.

Canadians have proved to be good at this kind of production in other fields - this will be the first real opportunity in the field of entertainment programing.

THE H E P-TV PROPOSAL WORKS FOR THE CANADIAN GOVERNMENT

By allowing for the greatest possible flexibility in audience demand the H E P-TV PROPOSAL will accomodate the political need for regional programming.

By reducing the Canadian Production Industry's dependance on Government subsidies in a variety of areas.

By reflecting cultural preferences on the part of the audience, directly.

THE H E P-TV PROPOSAL WORKS FOR THE CANADIAN AUDIENCE

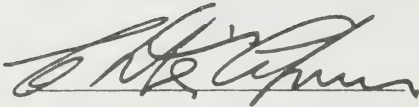
For all of the reasons submitted above.

By giving Canadians first class entertainment in their homes, the financial benefits will be enormous. The saving in indirect costs, (parking, baby-sitters, meals downtown, etc.) will also be considerable. We could even claim that the H E P-TV PROPOSAL will save non-renewable fuels and cut down pollution.

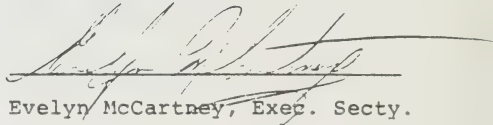
Primarily, it will give the Canadian audience an infinitely wider variety of programs than are currently available - it will offer big-budget, high-quality Canadian programs which they would otherwise never get a chance to see - and it will offer them a choice of programs on a scale that is not possible in any other country in the world.

We will be very happy to elaborate on any of the above at the proposed public hearings on PAY TV.

Respectfully submitted on behalf of the
DIRECTORS GUILD OF CANADA.



Christopher Chapman, President



Evelyn McCartney, Exec. Secty.

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PAY TELEVISION: a considered proposal

Submitted to
the Canadian Radio-television and Telecommunications
Commission
by
the Canadian Broadcasting League

1 October 1976

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CHAPTER ONE

I THE MIRAGE OF PAY TELEVISION

Pay television is essentially a method of (1) excluding viewers from gaining free access to a signal received either by cable or over-the-air, and (2) for collecting fees from those who seek access. Pay TV is not deliberately designed for the collection of funds to finance the production of Canadian programmes. It is merely television which the viewer pays for directly, either by the month or by the programme. An equally valid term would be 'Box Office TV'.

These introductory remarks are made to emphasize the obvious. Pay TV is not a new technology like cable or satellites; it is a piece of equipment added to or related to the receiving set for the primary purpose of collecting money. It is not the bus, but the collection box at the door of the bus.

Pay television is, as yet, a small aspect of broadcasting. It embraces not a specifically new technology but rather familiar, if improved, attachments to relate existing mechanisms long capable of distributing programmes and of collecting revenue from owners or users. In itself, it is not a means of transmitting signals nor, of course, of creating or recording programmes.

As an aspect of broadcasting, pay television has appeared over the past 15 years in various forms in the United States, Britain and Canada. As a potentially national element in the Canadian broadcasting system, however, it must be judged in terms of Canadian broadcasting strategy and the national public interest.

(i) Preliminary Observations on the Impact of Pay TV

1. The introduction of pay television does not appear to be an immediate or imperative necessity for the advancement of the Canadian broadcasting system.
2. The early financial contribution which Pay TV might make to expanded Canadian programme production, while useful, is modest compared with the real programming need. It is also modest in comparison to the amounts of money which the Pay TV consumer may be required to invest, perhaps \$100 million for purchase of converters alone.
3. Pay television service, insofar as it has been defined by its Canadian disciples, would most certainly increase the flow of American programmes into Canada and, through fragmentation of audiences, would add to the difficulties of those Canadian networks and stations whose audiences are already in jeopardy.
4. Pay television is contrary to a principle which has obtained through fifty or more years of radio and twenty-five years of television, namely that set owners share an approximately equal right to hear and see broadcast programmes. Pay TV creates two distinct audiences, defined only by the ability of the set-owner to pay an additional \$100 or so annually for the service. While there is little sacred or universal in this principle --- it does not apply to cable television or the cinema, for example --- yet, for the general public, the slogan of 'equal access' is not without political weight.

5. Consequently, unless the jurisdiction over communications, presently at issue between the Government of Canada and the Governments of the Provinces, be inescapably urgent (and fully explained to the people of Canada), it is suggested that the introduction of pay television be delayed and that, prior to its introduction, it be more thoroughly examined by the the Canadian people and their Government.
6. If, in addition to the jurisdictional question, there are other paramount pressures, the suggestion of allowing time for study and evaluation is, of course, open to reconsideration.
7. In any consideration of the introduction of pay television service, we would urge that its impact on the national strategy of Canada's communications policy be fully weighed and that "paramount consideration ... be given to the objectives of the national broadcasting service" (Broadcasting Act, 1968, s. 3(h)).

(ii) Prompt Response to Innovation

The wisdom of prompt response to technological change is vastly important. It now seems almost a disaster that twelve years of radio (1920-1932) and ten or so years of cable development (1960-1970) were allowed to pass before the Government of Canada recognised the need for, and acted to formulate, a national policy to guide their application to the special Canadian environment. Instead of national policy, there were only local and commercial initiatives, and almost all of them small.

At the Federal level, officials and Ministers failed to understand. In the case of radio, for example, not a single national radio network (except the CBC or CRBC) was created between 1932 and 1976.¹

The problems of Canadian programming today may, indeed, be largely traced to the consequences of policies too late either in their introduction or their application. This failure to apply wisely the statutory national policies can, in large measure, be traced to regional and business differences, to the impact of commercial interests on the licensing of stations, the regulation of advertising or programming, and upon the structure, financing and operation of regulatory institutions and the national public service.

II OBSERVATIONS ON "A BROADCASTING POLICY FOR CANADA"

The primary principles of broadcasting in Canada have been established by successive Parliaments and by judicial decisions since at least 1932. They are only partly summarized here for the limited purpose of contrasting the structure and the purposes which originally underlay the national policy with the structure and purposes which exist today.

A great system has been created by the joint or individual initiatives of both public and private enterprises. But the greatness achieved is more in the physical than in the intellectual, moral and artistic activities of Canadian society. Even in these activities a great deal has been achieved and the development of Canadian music, drama, writing, criticism, sport, education and entertainment has been reflected with some success in both radio and television. In this utilization of Canadian skills and talents, however, the two media have invested but a pittance of the resources they have devoted to the pursuit of advertising revenues or the operation of the 'hardware' --- stations, networks and other equipment. In large measure, the contribution of broadcasting to Canada has been in the field of buying and selling, rather than in production and creativity in programming.

Broadcasting is one of the most powerful, indeed, perhaps the most powerful instrument of communication invented by man.

In North America, this instrument has been given purposes derived predominantly from the marketplace. The creation and distribution of programmes for the tens of millions in North America is first evoked, controlled and measured by marketing results and, if this test is numerically unsatisfactory, the programme is doomed. That is the measure of success. In the last resort, the character of advertising-supported programmes is determined by their primary goal, i.e., the selling of products.

This is not a system which fulfils the purposes of the Broadcasting Act of 1968, nor of the earlier statutes whose principles it reflects.

The story of broadcasting in Canada is one of conflict between the idea of public service and the idea of marketing. The emergence of Pay TV in the United States and its promotion in Canada is simply a new manifestation of the conflict between some doctrines of public and private enterprise (both of which the Canadian system has always acknowledged) and those prime purposes of broadcasting as a national public service, an instrument of the highest national strategy.

Despite all the accomplishments of the public and private broadcasting services, the story of Canada's broadcasting policy is a story of the failure of that policy, formulated by Parliament, and of its defeat by expanding commercial interests, delays and indecision by Government, the political power of lobbies in Ottawa and the constituencies, and the predominance of the American advertising purpose and system over the principle of public service broadcasting. The result of almost fifty years of struggle is,

therefore, largely contrary to the recommendations of every disinterested and independent enquiry from the Airc. Report of 1929 to the Fowler Reports of 1957 and 1965.

The dominant system of Canadian broadcasting is the private advertising system, usually indistinguishable in its programming from that of the average or the worst of the American radio and television stations. The existence and achievements (and the problems) of the CBC notwithstanding, the commercial system has the most stations, the most hours of programming, the most money and the largest share of Canada's audiences.

This is the exact opposite of what every decision of Parliament on broadcasting willed between 1932 and 1957. The Act of 1932 established the principle of public service broadcasting and led to the first national programming, financed mainly by a licence fee on sets and 'indirect' advertising. The Act of 1936 set up the CBC and began the great days of national radio in French and English.

Apart from the opposition of the private stations and a few newspapers (themselves usually station owners), the CBC and the policy of nation-wide Canadian programming represented an almost unanimous demand of the Canadian people, a consensus of public opinion which the late Hon. Brooke Claxton described as perhaps the most remarkable unity of opinion in the history of Confederation.

Let it be clearly stated here that this policy did not embrace only publicly-owned stations. It provided for local, private, community stations; nor did it exclude advertising as a partial source of revenue and of programmes, but the objective was to subordinate advertising to programming, to treat the audience as an audience rather than just as a market. Similarly, there was not the slightest intention to exclude American and other

imported programmes. The policy aimed to create, first, for radio and later for television, national networks producing and distributing Canadian and imported programmes over powerful, publicly-owned stations covering most of Canada, supplemented (both to extend coverage and to assist private owners) by supplying CBC programmes free to local stations.

The whole concept of Canadian broadcasting, greatly influenced at its inception by the BBC and European systems, was that of broadcasting as broadcasting and not predominantly as advertising or money-making. The principle was that of a single, co-ordinated system of public and private sectors, directed and regulated by an independent, representative board, strong enough to resist political and commercial pressures, to co-ordinate the two sectors and to ensure that Canadian programming and Canadian talent were given their adequate but not exclusive shares. In the words of Prime Minister Bennett, endorsed by Mackenzie King and other party leaders, the Canadian system should respond "most directly to the popular will and the national need".

The origins of a national policy and of Parliament's action on the first radio legislation in 1932 bear brief recall. They are found in the initial failure of advertising as the financial base for the construction and programming of a network of stations. The advertising basis had, between 1920 and 1932, given Toronto and Montreal (and a very few other cities) a measure of radio service, but a very large part of the Canadian population had little or no service. Indeed, at this period there were several American stations, each of whom had more powerful transmitters than the sum of all stations in Canada. The total power used by all Canadian stations was, in fact, only 66,000 watts.

It was this situation upon which the Aird Commission of 1929 reported. The Commission reported that advertising would be unable to support any adequate Canadian system with any adequate Canadian programming. It recommended that the public system be designed on the broad model of the BBC (and others), owned and operated by a public corporation with a strictly non-political, independent and voluntary Board of Governors. As noted previously the financial base was to be provided by a \$3 license fee on receiving sets, plus limited advertising.

One of the concepts implicit in the Aird Report of 1929 and in the House of Commons Committee Report of 1932 was the pooling and planning of financial resources devoted to Canadian broadcasting. It was recognized that Canada could only compete with the United States by wise, considered use of revenues. Revenues from the license fee and from advertising (generated largely in the metropolitan areas) would be pooled to ensure that as many Canadians as possible would be provided with Canadian and purchased foreign programmes on Canadian stations.

While expansion of the CBC/Radio Canada networks has been consistent with these principles, private stations have largely been licensed not according to any national plan of coverage or service, but where private capital saw an opportunity for profit.²

The preceding discussion has its historical aspects. It is not, however, history as history, but primarily history as experience. Its purpose is to emphasize problems which endure, whatever the technology, and through them, to observe as they emerge any lessons to be derived and any foundations which remain useful or which require reform or replacement in the national interest.

Canada, as the trite saying goes, is a difficult country to govern. Few policies illustrate that saying more convincingly than does broadcasting policy. Despite assaults upon it and pressures which have resulted in gradual erosion (in fact, if not in principle) of that policy's intent, Canada's broadcasting system is physically a great system and a great engineering achievement. No monopoly, public or private, would be more acceptable, nor would exclusion of foreign programming.

A review of the history of the development of broadcasting in this country has, however, led us to conclude that what is urgently required is a re-examination of the Canadian broadcasting system, a rethinking of its objectives and a plan to re-order it in the national interest.

We recommend that the Government of Canada consider the appointment of a small commission, whose members should be the most responsible, wise, non-partisan and independent Canadians to be found. Their task will be to examine present structures in the context of those lively problems and opportunities (of which pay television is only the harbinger) which this decade and the next are sure to bring, to re-establish those priorities which will shape Canada's broadcasting system as it evolves into the 1980's, and to ensure that the entertainment, information and communication needs of Canadians will be served, in the national interest.

¹ From 1924-5 to 1932, the CNR operated a network. The CPR also formed one about 1928; both ceased in 1932. By that year, national networking had declined to one hour in winter and half an hour in summer.

² For further discussion of pressures brought to bear on the national broadcasting policy, see Appendix B.

CHAPTER TWO

I CRITERIA FOR INTRODUCTION OF A NEW SERVICE

Pay television must not be introduced to Canada without careful consideration of its potential impact on the existing broadcasting system. If and when it is introduced, its purposes and rationale must be congruent with the 'grand design' of the total system.

As it is now proposed, Pay TV does not appear to differ significantly from 'free TV'. The programming may be newer and there may be freedom from commercial interruption but the types of programming generally proposed are, to a large extent, presently available on conventional television. The difference, then, lies in the greater reliance of pay television on particular types of programmes, most notably feature films.

The Canadian Broadcasting League has always attempted to articulate public interest concerns as they relate to broadcast policy. In considering the issue of pay television, it has been our premise that the public interest requires that pay television, if introduced, must be considered an integral part of the total Canadian broadcasting system and that, as such, it must not be permitted to damage the other elements of that system by siphoning programmes or by any other means.

The public interest also requires that the pay service should be national in character and that it should serve both English and French-speaking populations; that public sector broadcasting (CBC/Radio Canada) and public interest broadcasting be strengthened; that the distinction between the programming function of broadcasters and the delivery function of cable operators be maintained; that the cost for the product which the consumer receives be reasonable; that

the livelihood of existing movie distribution and exhibition systems not be unduly harmed; that a reasonable Canadian content quota for pay television be established; and that the greatest possible share of pay television revenues be channelled back into the Canadian programme production industry, to promote an improvement in the quality of Canadian programming. We have used these criteria in assessing current proposals for pay television to determine whether and how Pay TV should be introduced to Canada. They have, of course, also played a large role in the formulation of the CBL's proposed design of a possible Pay TV structure.

(i) Approaches to the Question of Pay Television

Two approaches to Pay TV arise from these public interest criteria. The first considers the merits and drawbacks inherent in pay television and in its inclusion as one element in the total Canadian system:

- 1) would pay television, in itself, make a positive contribution to the variety of Canadian media presently available?
- 2) is there sufficient nation-wide audience demand for the services to be offered by Pay TV to warrant its introduction?
- 3) does the development of pay television in the United States automatically necessitate a parallel service in this country?

The second approach involves a consideration of the merits and drawbacks which are peripheral to the primary merits and drawbacks of pay television itself:

- 1) would the introduction of pay television pave the way for the replacement of our present 'free' system by one which is primarily a 'pay' system?
- 2) would the introduction of pay television be the first step in development of a communications system in Canada where specialized services are offered on a pay format and general services are offered on a 'free' format?

- 3) should pay television be evaluated primarily according to its capacity to channel additional revenues into the Canadian programme production industry?
- 4) if so, should the only criterion for the development of a pay television policy be consideration of this revenue base and the best way to maximize it?

Of the two approaches, the first is the more essential. If pay television does not yield substantial benefit to the variety of Canadian media and Canadian audiences by virtue of the services it offers, there is little reason to consider the questions raised in the second approach. These questions are external to the real question of the introduction of pay television. Their place lies in the formulation of policy, after it has been decided whether or not Pay TV should be introduced to Canada on the basis of its intrinsic merit.

Because there is some confusion concerning the process for a Government decision on pay television, we have considered in this brief both the primary question of pay television --- whether or not it should be introduced --- and the issues circumjacent to the initial decision but relevant in the formulation of the actual policy regarding its structure.

It is our conclusion that the introduction of pay television to Canada would be premature at this time. At the least, a test-bed is needed where the social and cultural impact of Pay TV may be assessed and the technical alternatives evaluated. It is impossible to answer these questions of the inherent value of pay television without such a test-bed.

However, given numerous Government statements to the effect that the introduction of pay television is inevitable, we feel obliged to place on record our objections to certain proposals and to recommend a model which satisfies as many of our public interest criteria as possible.

II CRITIQUE OF EXISTING PROPOSALS

We have measured the major current proposals against those public interest criteria outlined above. It should be noted that, while many of these proposals spoke of the need to promote Canadian social and cultural values, none defined that phrase or offered specific proposals designed to accomplish these goals.

(i) The Need for a National Service

The primary criterion for a Canadian pay television service is that it should, in the words of the Broadcasting Act, "be in English and French, serving the special needs of geographic regions and actively contributing to the flow and exchange of cultural and regional information and entertainment".

Most of the current proposals suggest that pay television should be developed as a national network, established first in the major urban centres and gradually extended to the rural areas. However, few of the proposals outline a time-frame for the extension of service and it may well be that commitment to the smaller centres is only 'money-deep'. There would appear to be little real commitment to the social importance of Canada's smaller regional centres, only a commitment to the real possibility of economic gain.

(ii) Bilingual Service

Since most of the current proposals are from groups and companies located in English-Canada, few really address the problems of providing a pay television service in French Canada. As in the case of extension of service to smaller centres, there is reason to fear that the commitment to national service extends only to the

major anglophone centres. The one major exception is the submission by Video Program Services (CRTC, June 1975) which suggests a number of ways in which English and French services could complement one another and share programming costs.

(iii) Minority Services

Initial public discussion of Pay TV appeared to suggest the new service would provide a proportion of minority programming. The idea was particularly exciting in view of Canada's numerous ethnic cultures and languages. However, programming for minority audiences is not an issue raised in many of the proposals. By referring to its present service to Toronto's various ethnic groups, CITY-TV (CRTC, June 1975) implied it could extend that service in a pay system. In its June, (1975) proposal, PTN suggested that additional services to specialized audiences could be offered at some future date. Again, however, lack of detail concerning the development of minority services leads us to suspect it is not a priority.

(iv) Concentration of Ownership

There is sufficient concentration of ownership in both the cable industry and the private broadcasting industry to warrant considerable concern that, if either of these groups were licensed to provide a pay television service, control of the system would pass into the hands of a very small group of established interests.

1) Private Broadcasting Industry

Since 1960, when it was licensed by the Board of Broadcast Governors, the CTV Network has grown to include 171 broadcasting transmitting operations (22 originating stations). These facilities

cover 93% of the English-speaking population of Canada. Major shareholders in the CTV network include Western Broadcast Company Ltd., Selkirk Holdings Ltd., Moffat Broadcasting Ltd., Standard Broadcasting Corporation Ltd., G.W. Stirling, Armadale Communications Ltd., CFRB Ltd., CFTO-TV Ltd. and CHUM Ltd.

2) Cable Industry

The major cable companies most active in promoting the licensing of cable operators for pay television have been Premier, Rogers, MacLean-Hunter and Canadian Cablesystems (most notably Metro). Since Rogers Cable is a private company which issues no public shares and therefore no annual report for public scrutiny, it is difficult to ascertain the extent of its holdings. It is known, however, that, in addition to owning five radio stations and several cable systems in Bramalea-Brampton, Leamington and Toronto, Rogers has signed an agreement to purchase Premier Cablevision Ltd. of Vancouver (subject to CRTC approval).

Premier owns a number of cable systems across Canada, as well as some in Britain and Ireland. It also owns a substantial proportion of several sports enterprises in Vancouver and of companies which produce electronic equipment for cablevision, microwave and related industries.

Canadian Cablesystems Ltd. operates a number of cable systems in Southern Ontario. In 1975, together with Agra Industries (which operates cable systems in Alberta, Saskatchewan and British Columbia), it signed an agreement with Telesat for the exclusive right to distribute television programmes via satellite to Canadian cable systems. This agreement could have implications in any national networking of pay service via cable distributors.

In addition to its many other involvements, MacLean-Hunter owns radio, television and cable operations. As well as its Canadian holdings, MacLean-Hunter operates Suburban Cablevision in New Jersey, and controls 50% of Phasecom Inc., a California-based company which manufactures hardware for cable.

The degree of concentration within both the private broadcasting industry and the cable industry in Canada raises the question of the advisability of licensing either of these industries to operate what is, in effect, a third network.

(v) Programme Packages

Since it is possible that a Canadian pay television operator would purchase at least some programming from American packagers, it is also necessary to examine the degree of concentration of ownership within related industries in the United States.

Pay Television began in the US as a service supplied to hotels. Since then, it has grown to the point where a few program packagers supply programming for pay systems throughout the country. The largest of these packagers, Home Box Office (HBO), is a subsidiary of Time-Life Inc. In the last few months, HBO has bought out other programme packagers, including TeleMation Program Services. Another major supplier for US pay systems is Optical Systems of California.

Especially in light of Government concern expressed in recent legislation (Bill C-58), Canadian affiliations with these programme suppliers and particularly HBO, should be examined with care.

MacLean-Hunter's pay system in New Jersey purchases its programming from HBO; Network One in Toronto uses TeleMation's programming services. In 1972, the President and Vice-president of

Premier Cablevision announced an agreement had been reached with Optical to form a Canadian company to provide optional services to cable systems in Canada. Rogers is linked indirectly with HBO through its purchase of 80% of TransWorld Communications. Computer Television, another subsidiary of Time-Life, owns the remaining 20%.

Other Canadian groups have expressed interest in the hardware required for operation of a Pay TV service. Electrohome of Canada is slated to manufacture a descrambler unit for over-the-air Pay TV, designed by an American firm, Pay Television Corporation. Welsh Communications (a division of Premier Cablevision) and York Cablevision (100% owned by Premier) have ordered decoding units from an American manufacturer, Tanneer Electronics Systems Technology Inc. (TEST).

(vi) Canadian Content

Unless there are restrictions on the amount of American programming to be carried by the Canadian pay television service, it seems obvious that the Canadian system will rely heavily on American programme packagers. A content quota for Canadian programming, together with restriction of the amount of programming from any one foreign source, are keys to diminishing potential reliance on US programme suppliers.

If a Canadian pay service is required to carry a substantial proportion of Canadian content, far more money will be needed than the 15% allocation for Canadian production suggested in most proposals. If, however, it is concluded that a large proportion of foreign material is necessary to make Pay TV commercially viable in Canada, limitations could be placed on the amount of programming permitted from any one foreign source. Limiting the amount of American

programming would not, in itself, solve the problem of Canadian content, but it could undermine reliance on American programme packagers.

Another approach might be the regulation of the programming mix for pay television. Since most programme packagers rely heavily on movies to produce revenues, a Canadian pay service required to carry a wider variety of programming would find present American packages less useful.

If pay television were operated on a pay-per-programme rather than pay-per-channel basis, the need to fill a certain number of hours per week would be reduced. While this would not automatically exclude foreign programming, it might mean that a greater percentage of revenues could be devoted to Canadian programming. (It might, however, also mean that gross revenues would be lower and, consequently, that the actual amount devoted to Canadian programming would be approximately equal to that provided by a pay-per-channel system.)

Further information on the financial impact of pay television as it relates to the production of Canadian programming is provided in Section III of this chapter.

Since the Minister of Communications announced in June 1976 a revival of official interest in development of a pay television service, frequent claims have been made in the process of public discussion, indicating a great potential on the part of Pay TV to provide new funds for support of Canadian programme production.

On June 2, the Minister stated:

... the CRTC and a representative group of cablecasters have suggested that 15% of gross pay TV revenues could be devoted to Canadian program production. On that basis, close to \$6 million would accrue per year.

In actual fact, pay television penetration rates of 35% are probably attainable, resulting in funds for programming of about \$13½ million annually.

The Canadian Broadcasting League recognizes the critical need for an injection of substantial new funds to place Canadian programme production on a more competitive footing with the foreign programmes available in this country. Canadian audiences are demanding high quality programming reflective of sophisticated production values; further, they already have a substantial investment in existing broadcasting undertakings and networks and continue to provide, through tax dollars and advertising support, significant amounts of money to underwrite the operation of these services.

We must recognize that these traditional funding sources for Canadian television and film are unlikely by themselves to generate sufficient capital to satisfy what are legitimate audience expectations. The costs of domestic production are simply too high and the Canadian population base too small --- one-tenth of the American --- for us to reasonably expect Canadian television programming or films (particularly that classified as 'entertainment')

to be as high-budget as that foreign material with which our producers and other creative talent must compete for audience.

While we have agreed, then, that additional programming revenues are a necessity, the exercise of designing a pay television structure for Canada has forced us to ask what the real revenue potential of Canadian Pay TV is and may become. How much money are we talking and will it make a significant contribution to solving Canada's programming dilemma?

Using the most commonly quoted projections, a 15% tap of pay television revenues, the cablecasters anticipate an injection of \$4 to \$5 million annually to domestic production:

. annual Pay TV subscription fee	\$96
. number of pay subscribers (anticipated pay penetration, 30%)	300,000
. Canadian production tap	15 %
[\$96 x 300,000 x .15 = \$4,320,000]	

(i) Canadian Pay Penetration Rates

It is our contention that the premise of a 30% penetration rate for the pay service must be closely examined prior to its application to the Canadian situation. An evaluation of the existing data on pay television, culled from the American experience, suggests a strong negative relationship between the degree of basic cable penetration and pay television penetration (i.e., in the US experience, those cable systems with high penetration rates tend to achieve lower pay television penetration).

In the United States, pay penetration rates average 24.1% while the average cable penetration rate for these same systems is 46.5%. It should be noted, however, that calculation of the average pay penetration figure as a percentage of homes passed (i.e. as a percentage not of cable subscribers but of all homes within reach of the cable links) is significantly lower, between 11% and 12%.

(ii) Canadian Pay TV Revenue Projections

The implication of these figures is particularly relevant in the Canadian situation where many urban communities have basic cable penetration rates of over 60%. Projections from the U.S. model provide considerably less optimistic estimates of anticipated Canadian pay penetration and suggest a more realistic rate for Canada of around 10%.² On the basis of our research, therefore, we feel there is reason to doubt that the optimistic projection of 30% pay penetration can or will be achieved. We would note, as well, the likelihood that pay television service will be less than universally available, particularly in the initial phases of its development.

Using what we would respectfully suggest is a more realistic projection, we have calculated that, if all Canadian cable systems in excess of 1000 subscribers were to offer the pay service and if the service were available in both official languages (an assumption made to ensure that Pay TV is, from the initial developmental stages, consistent with the intent of the Broadcasting Act), we might anticipate the total subscriber figure to be between 470 and 580 thousand, resulting in total annual revenues of between \$45 and \$56 million, based on a subscription fee of \$8 per month. On the basis of a 15% levy for Canadian production, the funds available for expanded programme production would be in the range of six and three-quarters to eight and one-half millions at the time of system maturity.

To be practical, however, it must be recognized that during the build-up period, such penetration rates will not be achieved and that smaller cable systems are unlikely to offer pay-cable during its initial phases.

Altering the base of our calculations to cover only those systems with over 6000 subscribers reduces the aggregate

revenue figure by about 10% and, allowing for a start up period, it is possible that in the first year of operation of the pay service, revenue for Canadian production based on the 15% tap would yield only about \$3,125,000. If a pay system involving videotape distribution only to those major centres which could afford high-quality video facilities were to be licensed, the production revenue figure could be further reduced to as little as \$1 million.

(iii) Impact on Canadian Broadcasters

While any revenue from pay television would undeniably be money not otherwise available to Canadian production, the CBL would suggest the amount and its significance must be examined closely and in relation to the total broadcasting system. In fact, our research indicates that the 15% tap may represent no more than those revenues which will be lost to broadcasters through the decrease in their advertising revenues due to loss of audience.

We have projected the financial impact of pay television on broadcasters in Toronto, Hamilton and Vancouver, based on an average 4.5¢ per viewer-hour revenue.³ On the assumption that the average pay subscriber will spend between 10% and 25% less time watching CBC and CTV programming, the loss figures in these areas alone could (using the lowest penetration projection) amount to between \$1.2 and \$3 million annually. Added to this, of course, should be losses to independent stations (e.g., Global, CITY, etc.). Using the same low pay penetration projection, a 15% fund for Canadian production from Pay TV revenue would collect approximately \$3 million.

Of course, as pay penetration increased, so would the revenues to Canadian production but so also would the financial impact on broadcasters. It is important to note, therefore, that if limited to 15% of gross revenue, the funds provided by Pay TV to Canadian production may do little more than offset those

revenues which are lost to Canada's public and private broadcasters through introduction of the new service. While not all such lost revenues would have been earmarked by broadcasters for programme production, it is nevertheless crucial to weigh this financial impact on Canada's broadcasters against the planned injection of pay television funds into the Canadian programming industry.

(iv) Pay TV and Canadian Content

The CBL's established concern for provision of domestic programming to Canadian audiences leads us to ask how much Canadian-produced material we can legitimately expect to see on the new pay service. The severely reduced penetration expectations discussed above make this question particularly significant. Table I provides an outline of estimated costs for programming produced for Canadian television networks.

TABLE I: Cost of Programmes for Broadcast Networks

Programme	Network	Length	Cost	Source
Witness to Yesterday	Global	½ hour	\$12,000	1
Human Journey	CTV	1 hour	\$80-100,000	2
Performance	CBC	1 hour	\$80-100,000	2
Excuse My French	CTV	½ hour	\$40-60,000	2
Swiss Family Robinson	CTV	½ hour	\$65,000	1
Wildlife Cinema	Global	½ hour	\$60,000	1
Tan Kukul	CBC	½ hour	\$20,000	1
Beachcombers	CBC	½ hour	\$40-60,000	2

Sources:

- 1 - Redaction, The Independent Production Industry with Respect to English Language Programs for Broadcast in Canada. Paper presented by Prof. H. Edmunds to "Crisis in Canadian Broadcasting" conference, Halifax, 11 August 1976.

Most of these figures are for independent productions. In many cases, they were sold at less than production cost to the network in question. The cost to Global, for example, of Witness to Yesterday, was reported as \$7100 per program.

- 2 - Brief to CRTC by Canadian Cablesystems, Rogers Cable and Premier Cable, June 1975.

It is our contention that the costs outlined in Table I may be substantially lower than might be expected for the high-quality, competitive programming which will be demanded by Pay TV. In Table II, we have added in a higher estimate of \$100,000 which represents the current cost of some of the more expensive network programming, as we attempt to assess the amounts of Canadian programming which could realistically be expected to appear on Pay TV.

TABLE II: Estimated % of Canadian Content for a Pay TV System of 170,000 Subscribers. (1)

% Used (Amount devoted to Canadian Content)	Funds Avail. for Cdn. Production (millions)	Assumed Cost of Programming (per hour)	Total hours of Cdn. Production (annual)	Hrs per week (n.2)	% Cdn Content
15%	\$2.4	a)\$40,000	60	3.5	7%
		b)\$100,000	24	.5	3%
25%	\$4.0	a)\$40,000	100	6.0	12%
		b)\$100,000	40	2.5	5%

(1) This number (170,000) represents the number of subscribers in a system covering only 3 major centres or the average number of subscribers during a start-up period for a system covering most cable systems with over 6000 subscribers.

(2) assuming 3 repeats per programme.

In Table III, below, the same calculations are made using a subscriber base of 400,000. We estimate this to be the approximate number of subscribers at system maturity for a nation-wide pay television network distributed by satellite. Again, we assume a constant three repeats of each Canadian programme.

TABLE III: Estimated % of Canadian Content for a Pay TV System of 400,000 Subscribers.

% Used (Amount devoted to Canadian Content)	Funds Avail. for Cdn. Production (millions)	Assumed Cost of Programming (per hour)	Total hours of Cdn. Production (annual)	Hrs per week	% Cdn. Content
15%	\$5.7	a) \$40,000	143	8	17%
		b) \$100,000	57	3	7%
25%	\$9.5	a) \$40,000	237	14	29%
		b) \$100,000	95	5.5	12%

On the basis of these figures, the CBL contends that the amount of Canadian programming carried on pay television is unlikely to surpass 10%, even allowing for an increased percentage tap on pay revenues in subsequent years of operation. Further, there is a danger of decline in the quality (if not the quantity) of Canadian programmes available on 'free' TV resulting from the loss of broadcast revenues. This means, in effect, a decline over the total system in the number and in the attractiveness of those programmes which reflect most directly the Canadian experience.

We find, therefore, that an argument for the introduction of pay television service based solely on promised returns to Canadian programme production is unacceptable. We suggest that a far greater revenue base than that offered by Pay TV will be necessary to achieve the objective of significantly greater amounts of better Canadian programming.

(v) Programme Funding: An Alternative Proposal

It may, however, be worthwhile to consider the eventual development of pay television as one of several possible sources of the total sum of money necessary to satisfy the programming demands

of existing and future communications services. One such potential source may be the cable television industry; the CRTC has already introduced the principle of payment by cablecasters to local broadcasters whose audiences are diminished by importation of foreign signals in competition (see decision 74-412). It might be useful to examine a broadening of this precedent not only to the cable industry but to other communications services.

According to figures provided by Statistics Canada, total cable revenues for 1973 amounted to \$132,607,000, giving a profit-before-tax of \$29,444,000 or 22% of revenue, and an after-tax profit margin of \$16,244,000 or 12.3%. These percentage figures would be even higher for the ratio of return to shareholder equity. Cablecasters, members of a regulated industry, are, it would appear, enjoying substantial profit levels and sustaining rather well the economic burden imposed by premature write-off of equipment following introduction of push-pull amplifier technology (necessitated by introduction of converter service).

Assuming a 5% tap of cable revenues (with no parallel approval of rate increases to permit cablecasters to pass on the levy to subscribers), even in 1973, the cable industry's before-tax profit would have been a substantial 17%. At the same time, it would have injected approximately 6½ million into a fund for Canadian production.

More recent aggregate revenue figures from Statistics Canada are not yet available. With allowances for the difference between an average 1973 cable subscription fee of \$4.50 and a presumed average for 1976 of \$6.00, the total revenue of the cable industry would be at least 176.8 million for 1976 (not counting those additional revenues attributable to new systems and increases in penetration since 1973). A modest 5% tap on cable in 1976 could, therefore, be expected to generate some \$8.8 million,

which is more than Pay TV could optimistically be expected to provide, even at system maturity.

A further source of programming funds might be provided by a direct tax of cable subscribers. Assuming a levy per cable channel received (for example, \$1 per channel), those receiving the best service, that is, the greatest number of channels, would contribute the most to Canadian production. If we project an average of 10 channels per subscriber, such a levy would, in 1976, result in approximately ($\$10 \times 2,900,000$ subscribers) \$29 million to be added to the proposed cablecaster tap. This total, over \$30 million from the cable alone, begins to approach the amounts required by Canadian production if our media are to recapture the domestic audience and have some hope of sales abroad.

A tap on cable need not be the only source considered; the argument applies equally to computer communications, telephones, business communication or to a tax on imported film material, all of which could produce revenues far more significant in total than will the introduction of an add-on pay television service.

Cable television would appear, however, to be a likely candidate for a tap because of its direct relationship to mass audience communications and its long-standing history of non-support of Canadian programme production. Application of a small proportion of cable revenues to Canadian programme production would partially redress the economic problem which cable has created for Canadian mass media --- the achievement of significant levels of popular Canadian programming. In effect, it would extend to our cultural enterprises the same economic protection we have long afforded Canada's fledgling manufacturing industries through tariffs.

We conclude, therefore, that the simple availability of a relatively small amount of new money for Canadian programme

production is not, of itself, an extremely strong argument in favour of the introduction of pay television service. However, given a decision to begin study of the service and to plan for its introduction, this might also be an opportune time to consider implementation of these proposed exterior funding measures. They have the advantage of providing, almost immediately, substantial funding for Canadian production. Such 'instant investment' is essential if quality Canadian programming is to be available in sufficient quantity for use by the pay service, when it is introduced, and for the 'free' broadcasting system as it gears up to meet the Pay TV challenge.

When introduced to Canada, pay television will exist within the wider context of an already established communications infrastructure. There is a danger in regarding Pay TV as a new system independent of existing structures or as a technology which, if 'injected' into the current situation, will have an inexhaustible potential to alter (presumably to the public benefit) current relationships.

As an incremental element in Canadian communications, pay television has finite limits, perhaps more finite than has been admitted or suggested to date. Focussing on one area of development and change, rather than on the interplay among areas of change occurring more or less simultaneously, must be viewed as a dubious exercise. Yet we have come perilously close to regarding pay television only within a narrow technologically-oriented context, at the expense of social structures and changing values.

The potential of Pay TV to provide the level of financial and other support for Canadian production required to satisfy commercial demand and generate large-scale foreign sales has, perhaps, been overstated.

In the view of the Canadian Broadcasting League, the impact of pay television on Canadian programme production must be examined in terms of the overall cultural impact of a particular style of programming inputs offered on (a) dedicated mass media communications channel(s). The continued availability of predominantly non-Canadian programme sources may have the long-term effect of creating a continuing expectation of more of that product which audiences have become used to receiving, i.e. non-Canadian programming.

(i) Toronto-Buffalo Viewing Patterns

An analogy could, perhaps, be made here to the viewing patterns of Toronto area residents who continue to watch Buffalo television stations despite the availability of exactly the same programmes, often earlier in the week, on local Toronto TV stations. Convenience of viewing time may account for some of this loyalty to the Buffalo stations, but the historical pattern of television development --- with American television preceding Canadian networks in the Toronto area --- has also affected viewing choice.

If the switch from a US to a Canadian channel, in which content is marginally but not substantially different, is rendered less likely by historical patterns and expectations, we must view with some suspicion any claims respecting 'viewer choice' or 'viewer sovereignty' as the ultimate reason for access to predominantly non-Canadian programming (or for the lack of a distinctive Canadian thematic orientation) in our national mass media. Over and above the problem of economics --- Canada, as a smaller country, being unable to afford production competitive in terms of technical cost --- there is the problem of historically-determined patterns and expectations.

Applied to pay television, we would suggest, therefore, that a service which initially provided predominantly non-Canadian programming (albeit with a commitment to increase domestic content as the system developed) would be unacceptable. Further, if Pay TV's predominantly non-Canadian characteristic is not modified, we would demand, in the strongest possible terms, the examination of the impact of such a predominantly foreign mass media channel on Canada's cultural identity.

If the legitimacy of Canada as a sovereign political entity, supported by shared popular mythologies, cultural perceptions

and orientations (or, at least, shared involvement in domestically defined issues and controversies) were not at stake, perhaps this discussion would be unnecessary. On the other hand, if the issue of sovereignty had been settled and a final conclusion reached that Canada ought not to exist as a distinctive political and cultural entity, then the question of Pay TV could recede into the narrower technological questions of delivery system configuration and method of payment. However, even these questions pose complex problems in the evolution of appropriate models for Pay TV development vis-a-vis the long-term public interest.

(ii) Inhibiting Effect of Precipitous Decision-making

The CBL is concerned that precipitate acceptance of a particular style of pay television delivery system technology may substantially affect Canada's long-term evolutionary communications pattern. Prior to proceeding with a given set of technologies, we would counsel careful consideration of alternatives (and the social and economic impacts accruing thereto) which might be precluded by prior commitment of large amounts of capital resources to a technology favoured today simply because it is immediately available.

There is a real possibility that organizational patterns created in response to short-term needs could, for many years, preclude a more open access system. Such a system might well provide a multitude of channels for Canadian producers qua distributors; there is reason to anticipate that this system will become economically feasible within the next five years, as a result of advances presently being made in the field of fibre optics and switched broadband technology. While such open access distribution systems

have little in common even with the types of pay-per-programme pay service currently being discussed, their potential responsiveness to established Canadian priorities would seem to argue for some delay in commitment to any existing technology for distribution of pay television.

(iii) Pay TV Test-Bed

An informed discussion of technological systems, economics of delivery and subscriber response for purposes of policy planning cannot occur in a constrained environment where choice of system technology is dictated by a pre-defined requirement to immediately introduce a Pay TV system. However, since use of existing technical delivery systems and devices may be a disincentive to establishment of more flexible services at a later stage, the CBL would urge most strongly that final consideration of system options be based on some sort of 'test-bed' evaluation.

In such a test situation, the social, technical and economic factors can be carefully considered, prior to any binding commitment to license pay television operation in major centres. We would suggest that such an experiment be undertaken in a medium-sized Canadian centre, under licensing and regulatory conditions which would imply no long-term commitment to ownership and operation of the experimental system(s).

FOOTNOTES

¹ For detailed calculation of projected Canadian pay television penetration, based on analyses of data from 131 American cable systems with per-channel pay television service, see Appendix B in "FOR A FEW DOLLARS MORE": Pay Television and the Public Interest, a report to the Department of Communications, Ottawa. Canadian Broadcasting League, September, 1976, pp B 1-12.

² Ibid., p. B 8.

³ Ibid. Appendix C, Audience Impact of Pay Television, pp. C 1-12.

CHAPTER THREE

A PAY TELEVISION MODEL FOR CANADA

In the preceding chapters are outlined those paramount considerations of national objectives and public interest criteria which have defined for the Canadian Broadcasting League explicit characteristics of a pay television service for Canada. Submitted here is a design for Canadian Pay TV service consonant with those stated objectives.

(i) A National Public Authority

We recommend that, following a period of test-bed study of the technical, social and other aspects of proposed pay television service, a pay television authority be created as an independent public agency. The Pay Television Authority shall:

- 1) be responsible for all networking of pay television in Canada;
- 2) be responsible for arranging local distribution by cable, STV or other delivery systems on a rental-of-facility basis [i.e., lease of cable channel(s)];
- 3) own all hardware specifically related to pay television, regardless of its means of local distribution;
- 4) commission Canadian programming for use by the pay television network;
- 5) shall act as agent for the pay television network in the purchase of foreign programme material;
- 6) shall act as agent for after-sale of Canadian programming produced for the pay television network.

(ii) Revenue Distribution

During the initial phases of system development, profits shall be restricted to ten percent of revenue per annum. At system maturity, periodic re-assessment of such profit restriction shall commence.

The first charge against revenues accruing to the pay television authority shall be system development, system operating costs and servicing of debt. Profits (i.e. the difference between revenues and cost of system development and operation [including regulated profit]) shall:

- 1) be utilized for purchase of programming for distribution on the system, a significant proportion of which is to be of Canadian origin; and
- 2) surplus revenues are to be channelled directly into a Media Development Fund for purposes of recycling such monies for support of Canadian programming on 'free' TV.

(iii) Canadian Content

A significant percentage of the programming to be provided by the Pay Television Network shall be Canadian in origin, with minimum content quotas to be defined and regulated by the CRTC, consistent with the intent of the Broadcasting Act.

The CBL proposes consideration of a thirty percent minimum Canadian content quota during year one, to rise by five percent per year with a target of fifty percent domestic programming at the end of year five. A formula similar to that now applied to content of music on Canadian radio could be devised by the Commission to assist in definition of 'Canadian Content' for pay service programming.

To meet this higher content requirement, it will be necessary to devote to Canadian production a significantly greater proportion of Pay TV revenue than the proposed 15%. We recommend, therefore, that a minimum of 21 percent of total pay television revenues be devoted to Canadian programme production in year one; this percentage should rise annually as content quotas increase so that the funding necessary to generate quality Canadian programming for Pay TV distribution will be guaranteed.

(iv) Media Development Fund

As earlier discussed, pay television alone is unlikely to provide the financial base necessary to support the expansion and improvement of Canadian programme production which audiences are demanding. In order to make available the magnitude of funding which is necessary, the CBL proposes the establishment of a Media Development Fund to be operated independent of the Pay Television Authority and all existing broadcast networks. Revenues for the Media Development Fund shall be generated from:

- 1) a 5% tax on cable television revenues;
- 2) an annual levy of \$1 per channel received by each cable subscriber (for an average of \$10 per year);
- 3) any excess revenues accruing to the Pay Television Authority.

Further, we suggest that revenues from this fund might be distributed using the following percentage base:

- | | |
|-----|---|
| 60% | to Canadian production of 'free' TV |
| 20% | to CFDC to supplement its present budget for Canadian film production |
| 10% | to fund community channel programming on cable |
| 10% | for grants to innovative film and television projects |

Those funds allocated to 'free' television programming could be apportioned on the basis of 60% to the public network and 40% to private broadcasters and should be used not to replace, but to supplement those moneys already devoted by broadcasters to domestic production. Distribution of these supplement programming revenues could, therefore, be made on the basis of a formula derived from the average amount budgeted in the preceding three years by broadcasters for Canadian programme production.

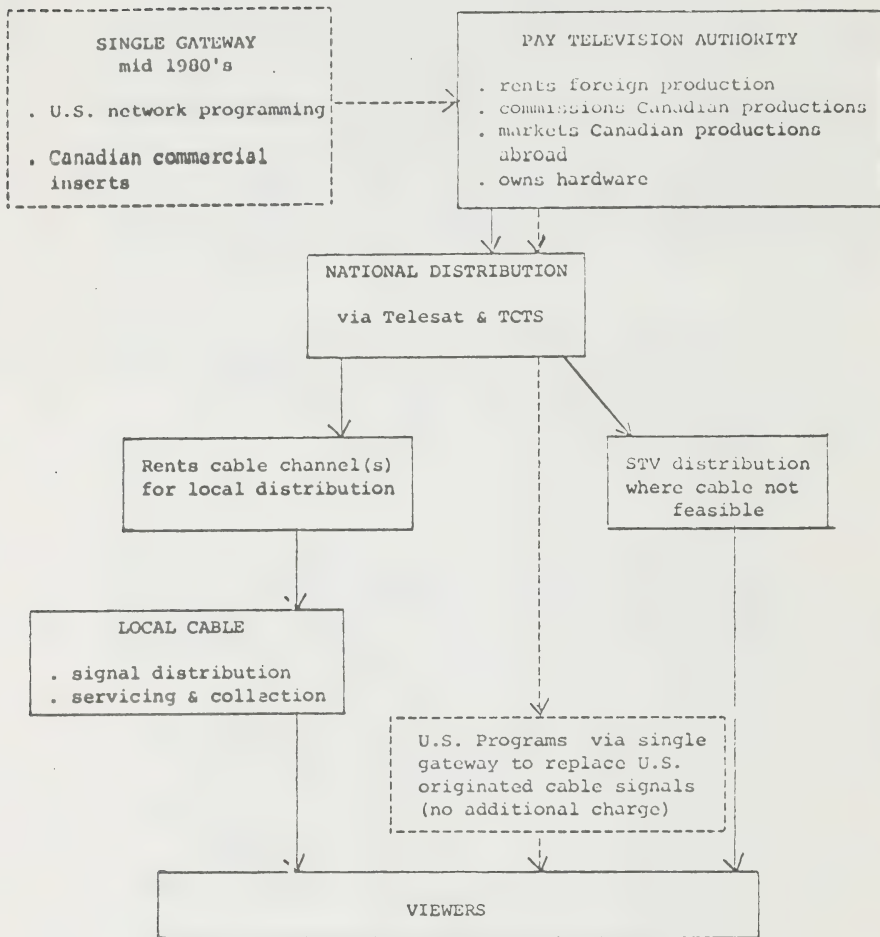
Further, we would recommend that a significant proportion of such supplemental programming revenue be used by broadcasters to purchase material out-of-house, i.e. from independent Canadian production houses.

(v) Signal Distribution

When introduced to Canada, the pay television service should be distributed nationally and should utilize the facilities of Canada's domestic satellite system and the Trans-Canada Telephone System. Local delivery will be achieved through lease of cable channels, where practical. It will, therefore, be necessary for the CRTC to establish a signal priority for the Pay TV service and to require its carriage by cable undertakings.

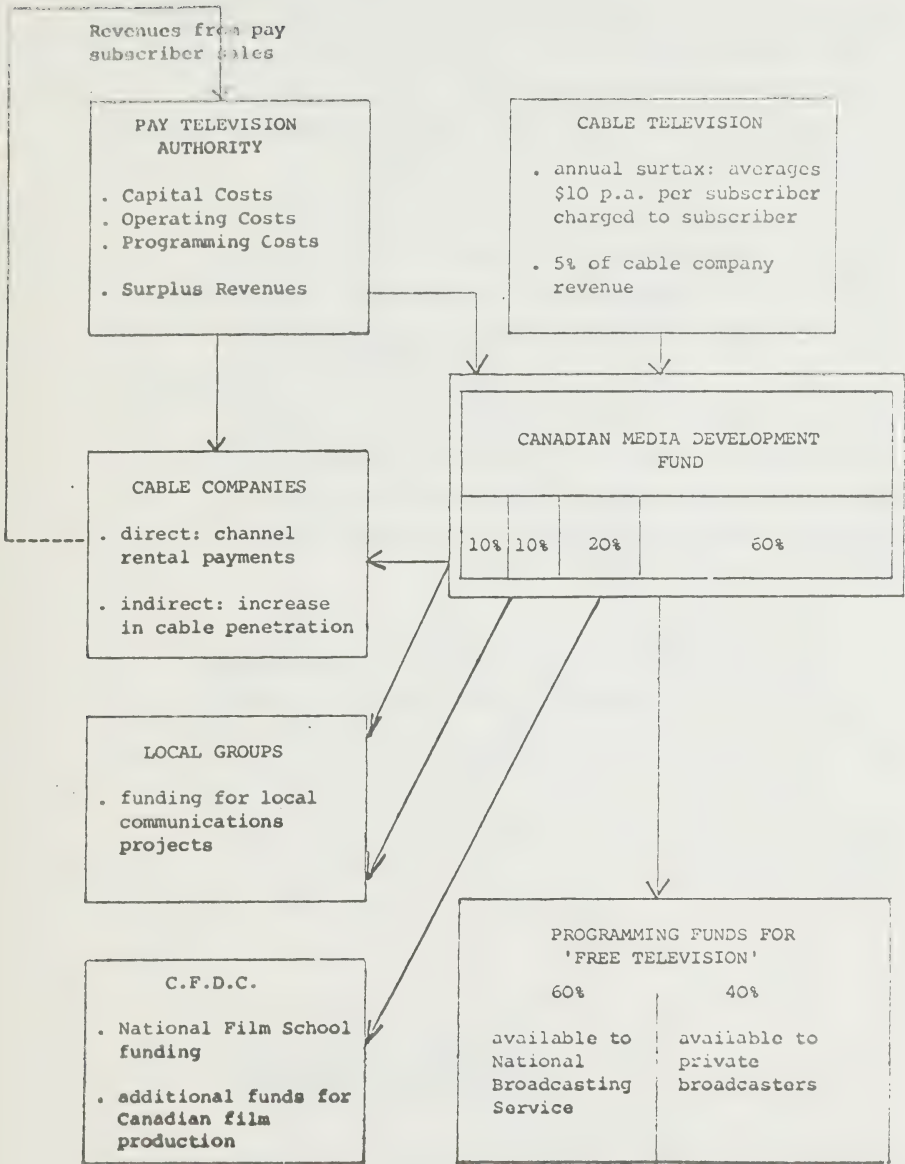
Where cable distribution is impossible or impractical, STV (over-the-air) transmission of the pay service is to be provided.

The leasing charge to be paid to cable operators by the Pay Television Authority shall be calculated from the costs of the service (i.e., installation, servicing, programme promotion, collection of fees) plus a profit margin to be determined. As previously noted, all equipment directly associated with the Pay TV service shall be owned, not by cable systems, but by the Pay TV Authority.

RECOMMENDED STRUCTURE FOR PAY TELEVISIONa) PROPOSED DELIVERY SCHEDULEKEY

---- U.S. signal, imported through "signal gateway"

— Pay television signal(s)

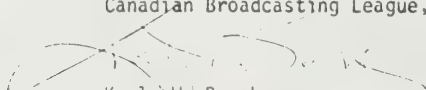
RECOMMENDED STRUCTURE FOR PAY TELEVISIONh) REVENUE DISTRIBUTION

On behalf of the members of the Canadian Broadcasting League, we would therefore urge that, while preliminary test-bed study of possible pay television configurations should begin in the near future, its introduction should occur only after the test results have been evaluated and a system designed to integrate into existing structures with minimum disruption.

We anticipate that the CRTC will shortly call public hearings to further examine the proposals for pay television service being submitted at this time. Public discussion of the issues raised by this proposed new service is particularly critical since Pay TV is only the first in a series of 'new' communications services which the 1980's will bring to Canadians. Even more important, the process is imperative if Government, in consultation with related industries and the public, is to evolve those policies which will guarantee to consumers a panorama of communications-into-the-home designed to meet and be responsive to their needs.

The Canadian Broadcasting League wishes to thank the Canadian Radio-television and Telecommunications Commission for providing this opportunity to place before it the concerns of CBL members as they relate to pay television. At this time, also, we would request permission to appear before the CRTC at its anticipated public hearing of proposals for pay television structure, to expand further on certain of the points raised in this submission.

Submitted on behalf of the
Canadian Broadcasting League, >



Kealy H. Brooker
Executive Director

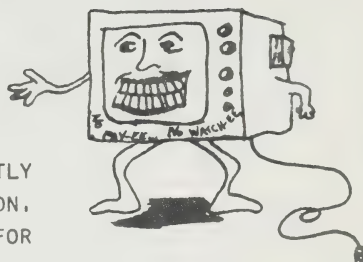
APPENDIX A

KEEPING IN TOUCH . . . PAY TV

KEEPING IN TOUCH...



«PAY - TV»



THE CANADIAN BROADCASTING LEAGUE IS CURRENTLY WORKING ON A BRIEF CONCERNING PAY TELEVISION. THE MINISTER OF COMMUNICATIONS HAS CALLED FOR BRIEFS TO BE SUBMITTED TO THE CRTC BY

SEPTEMBER 1, 1976, AFTER WHICH A POLICY FOR PAY TELEVISION WILL BE FORMED. PAY TELEVISION IS LIKELY TO BE INTRODUCED INTO CANADA SOME TIME WITHIN THE NEXT COUPLE OF YEARS. DESPITE THE CLOSE DEADLINE, WE WOULD LIKE TO POLL OUR MEMBERSHIP FOR THEIR OPINIONS CONCERNING PAY TELEVISION BEFORE SUBMITTING SUCH A BRIEF.

1. Do you agree or disagree with the implementation of Pay Television in Canada?

- () *Agree strongly*
- () *Agree somewhat*
- () *Neutral*
- () *Disagree somewhat*
- () *Disagree strongly*

2. What dangers do you see in Pay Television?

3. What advantages do you see in Pay Television?

4. Depending on who will run the system and what government regulation is undertaken, it is possible that Pay Television would be available only in the Toronto, Montreal and Vancouver areas. Assuming Pay-TV is undertaken, do you feel that it is important that Pay Television be available in other areas of Canada as well?

☐ Very important
☐ Somewhat important
☐ Neutral
☐ Somewhat unimportant
☐ Very unimportant

5. Pay Television should not be allowed to operate in Canada unless a significant proportion of Canadian films or Canadian-produced material is available. Do you agree or disagree?

☐ Agree strongly
☐ Agree somewhat
☐ Neutral
☐ Disagree somewhat
☐ Disagree strongly

6. It is possible that some of the profits from Pay Television may be available to extend service to communities other than Toronto, Montreal and Vancouver, to provide direct financial assistance to broadcasters, or to fund Canadian film productions. Assuming Pay Television is undertaken, which of the following do you feel is most important? (Please check only one)

☐ Make pay television available across the country
☐ Provide direct financial support for the CBC
☐ Provide capital funds for Canadian film-making
☐ Provide financial support for private broadcasters in fringe areas to increase local programming
☐ All are important

7. Assuming Pay Television were to be introduced into Canada and that it was run through a nation-wide "network", who do you feel would be best to run this network? (Check one)

☐ Cable television companies
☐ Broadcasters
☐ Any private group providing the group doesn't hold any broadcast or cable licences now
☐ An independent government body
☐ A consortium of cable operators, government and broadcasters

8. Are you opposed to a Pay Television network being run by cable television companies?

☐ Strongly opposed
☐ Somewhat opposed
☐ Not opposed

9. Are you opposed to a Pay Television network being run by existing television broadcasters?

- () *Strongly opposed*
- () *Somewhat opposed*
- () *Not opposed*

10. What types of programs should be offered on Pay-TV?

11. What type of programs should be prohibited from Pay-TV?

12. If Pay Television was available to you, would you pay \$8 a month if the types of films, live theatre productions, concerts or special programs you wanted to see were run consistently?

- () *Definitely*
- () *Possibly*
- () *Probably not*
- () *Definitely not*

13. Do you have any opinions about Pay Television which were not covered by the above questions?

*Please return your completed
questionnaire to:*

THE CANADIAN BROADCASTING LEAGUE
P.O. BOX 1504
OTTAWA, ONTARIO
K1P 5R5

APPENDIX B

"A SINISTER CONSPIRACY"
AND
AND OTHER EXAMPLES OF CONFLICT IN BROADCASTING

Broadcasting is almost always controversial. Elements of the system are almost always in conflict. This is in the nature of things. There are rival interests and rival purposes. Government, the entire public, and many interests are in conflict. The conflict shapes or modifies policy and helps or hinders the formation and application of national policy.

There follow examples of conflicts, pressures, differences, and controversies since the first experiment in establishing a national broadcasting system in 1932. Lobbying is a suspect activity, but it is a right of a Member of Parliament or an individual member of the general public to make his views known to the Government. The question is one of rights of access and forms of persuasion used.

(i) "The Sinister Conspiracy" and the Prime Minister

The words "sinister conspiracy" were used in the spring of 1935 by the Rt. Hon. R.B. Bennett, when he was Prime Minister of Canada. They were applied to those groups lobbying against the first national regulatory commission, the Canadian Radio Broadcasting Commission, of which Hector Charlesworth, a Conservative and former editor of Saturday Night, was Chairman.

Mr. Charlesworth has described the episode in his memoirs. The Prime Minister was ill and the lobbyists used that opportunity to promote the award of a power increase for three stations from a few to 50,000 watts. The three stations were affiliated with American networks.

One of the expectations was not only increased coverage in

Canada but an increase in the amount of advertising. Mr. Charlesworth wrote:

the object was increased American coverage. This meant the most complete Americanization of radio in the most populous section of Canada. I had always held that any licenses for high-powered stations in Canada, that might be granted, should be for the use of the Commission itself.

The lobbyists also sought an arrangement whereby commercial programmes, both American and Canadian, should have right of way over our sustaining programmes, and whereby a part of our revenues should be diverted toward lowering the costs of network distribution of advertisers.

Seldom has a more bare-faced proposition ever been conceived -- the fees of radio licence holders were to be diverted to assist the publicity departments of a few great corporations.

A Western member whose constituency lay remote from Central Canada was enlisted as chief agent of these plans and by one argument or another he succeeded in lining up with him twenty-seven fellow members of the Conservative caucus, before the Prime Minister got home.

Mr. Bennett got back sooner than had been expected, restored to vigour, and the iron heel came down quickly on this "sinister conspiracy" as he called it.

Hector Charlesworth, I'm Telling You,
(Toronto, 1937), pp. 116-117.

In the lobby group were a leading Conservative editor and the president of one of the stations owned by an American company, as well as one of the leaders of the Conservative caucus. They called on the Acting Prime Minister, Sir George Perley. On April 15, 1935, he wrote a memorandum reporting the pressures and the strong support in the Party. In a quotation from Le Devoir, Frank Peers has pointed out that, "the Government, threatened by this group, moved to extend the life of the [CRB] Commission to only two months, and not a year as had been originally intended."

Mr. Bennett insisted that Canadian broadcasting remain publicly-owned:

Always insidiously is the attack made against the publicly owned facility and the effort made to destroy it.... the more I see of it and know of it, the more determined I would be, if I were here, that I should not yield this facility to any private enterprise.

House of Commons Debates (6 June 1935).
p. 3347.

Letters and statements by other Members of Parliament and by Hector Charlesworth reflect the origins of the debate about the mandate and responsibilities of the CRBC in 1933. Frank Peers has summarized the beginnings of the conflict in 1931:

It was natural enough in 1931 that the application of CFCN, Calgary for a power increase from 500 watts to 10,000 watts should be referred to Bennett -- he was the member for Calgary West -- and that it should be personally approved by him. Other cities also concerned him. In the same year, he was promising Harrison Smith, the vice-president of Imperial Oil, to give his personal attention to the application of CFRB, Toronto, for a power increase to 10,000 watts. (A.S. Rogers, the father of the president of Rogers-Majestic and CFRB, was on the board of Imperial Oil. After CFRB received its power increase, Harrison Smith, now president of Imperial Oil, became chairman of the board of Rogers-Majestic.) Similarly, Bennett heard appeals on behalf of two other Toronto stations that wanted a better wavelength, CKWG and CKCL. In both cases it was emphasized that the stations had served the Conservative party.

F.W. Peers, The Politics of Canadian Broadcasting, (Toronto, 1969), p. 112.

... on October 28, 1932, three days before the Commission was sworn in and 23 days after it had been appointed, the Minister of Marine issued the radio license to La Patrie in Montreal. I say that this was an insult to Parliament, and a violation of the law. It was an insult to the members of the Commission ... I protest against this thing having been done obviously for political purposes.

Statement by Hon. Ernest Lapointe, House of Commons Debates (28 Feb. 1933), pp. 2563-2569.

From a political standpoint, it is most important that we should have this license given to those who are absolutely our friends rather than those who are not Now this is going to be a serious matter for Charlesworth and the Radio Commission I intend to attack Charlesworth on the floor of the House I want that station in Fredericton for political and other purposes.

R.B. Hanson, M.P., to Prime Minister Bennett,
12 May 1933. Peers, op. cit., p. 113.

"If politicians would let us alone, we shall be alright." This comment in 1933 by Mr. Charlesworth, precipitated a full evening's debate: "... when John-Francois Pouliot, M.P., ... especially distinguished himself. ' Mr. Charlesworth's tongue should be torn from his mounth and wound seven times around his whiskers,' was one of his flights." (Peers, op. cit., p. 111.)

(ii) The Conflict Over Canadian Content

There is a clear and natural conflict between a national broadcasting policy respecting forms of public and private ownership, license and programme regulations, and a commercial system dependent for revenues upon advertising. The issue of Canadian content, as well as licensing new stations, is a critical part of such conflict.

Imported, mass produced programmes sold in a world market are less costly than Canadian programmes. This situation applies alike to costs of production and the price asked or paid by broadcasting stations for programmes acquired for sale to broadcasters.

Here, Canada, from a financial point of view, feels fully her geographic position as a neighbour of the largest and most successful producer of programmes. As the largest foreign market for these programmes, Canada is a country whose preferences and tastes for entertainment have been shaped by long decades of American films, music, television, and radio.

As legitimate business, American companies with American or Canadian factories advertise their products for the Canadian market -- indeed, Canada is the largest importer of American goods in the world. Furthermore, American companies or their branch plants are the largest group buying advertising on television. Of the top 100 national television advertisers, all but five or six are non-Canadian -- almost all are American-owned. These advertisers are the most important clients of advertising agencies and are responsible for the bulk of the total television business of such agencies. These agencies in their turn are the leading members of advertising associations.

In geography, communications, the whole range of mass entertainment, wealth, promotion, efficiency, and, to a large extent, language and business, Canadian broadcasting and Canadian audiences, like Gordon at the siege of Khartoum, are surrounded and hemmed in. All this is familiar and and all this sustains the wish and will the Canadian people have for developing and using Canadian talent and Canadian creativeness, not exclusively, but sufficiently.

What has been the attitude of American companies or advertisers to Canadian broadcasting? The whole history of Canadian radio and television would have to be examined to reach an answer. Undoubtedly, there are notable examples of American support through advertising for Canadian programming. But the business factor of sales and financial success is naturally the usual determining factor. This is little less a factor also for Canadian-owned business in Canada.

There is one remarkable example. It is cited as an example of what could happen and does happen. This example is given as a case of what has happened. There are others. And their meaning, when they happen, is that American advertisers, financing their operations with dollars spent by Canadian consumers of American goods, resist the

policy of the Government of Canada.

The example is, in general, of an organized thrust of the advertising community, to reverse or weaken the impact of Canadian content regulation introduced by the CRTC, a statutory instrument of the Parliament of Canada.

In 1959, the statutory regulatory authority, the B.B.G., required all television stations to reduce the predominance of imported programming. The private sector and advertisers -- well aware that imported or "canned" programmes were much cheaper than live Canadian productions and hence more profitable -- strongly fought the increase of Canadian content to 55 percent ordered by the Board, and vast pressures were applied.

The most striking example was provided by Messrs. Proctor and Gamble, an American company. In a letter to a license applicant dated 17 September 1959, the President and General Manager wrote as follows:

... a level of support from advertisers will be forthcoming only if stations price their time competitively ... and are allowed to devote most of their broadcast day to programmes that cater closely enough to mass tastes to withstand competition.

... I can confidently assure you that if new regulations force up the already high cost per thousand of television, Canada's biggest advertiser will not hesitate to switch into media that offer better value for money.

I am, of course, implying that the Board of Broadcast Governors' proposed regulations may seriously damage the economic health of the television broadcast business ... it is vitally in your interest to put up individually or through C.A.B., the strongest possible fight against the B.B.G.'s proposals. And in this respect I can assure you that through A.C.A. [Association of Canadian Advertisers] and through our contacts with C.A.B. directors, this company is devoting a great deal of time and energy to the task of helping independent broadcasters to ward off this major threat to their economic well-being.

This letter was made available to a public hearing of the B.B.C. It is cited as an exhibit precisely revealing the nature of the conflicts and pressures which threaten Canadian broadcasting, private as well as public. In this letter it is all there -- "the economic well-being" of the advertisers; the opposition to Canadian programming; the attempted interference with an authority set up by Parliament; the campaigning, "the strongest possible fight" by a great business association against a policy of serving and nourishing Canada's Canadian interests as laid down by Acts of Parliament.

The issue between public and private interests in broadcasting or other communications is not a mere question of individual taste or distaste for "I Love Lucy" or "All in the Family" or "The Tenth Decade"; this is not the point. The point concerns communications as a whole and the national strategy, inevitably a mixed and complex issue, which best serves, develops, and enhances the happiness, existence, and reality of Canada and the Canadian people.

The conclusion, then, is that deeper consideration of the structure of and the role of both the public and private sector, including cable, is necessary. The Canadian system, intended to be primarily Canadian in purpose as well as ownership, is to be as the Act of 1968 describes it, "a national broadcasting service", providing, in both languages, "varied and comprehensive programming" for the Canadian Confederation, has only partly achieved these purposes.

This example is complete and is documented. But it has a significance that is not unique. In principle, it is a model of a structure and operation which illustrates, in the round, the problem of Canada, Canadian television, and Canadian programming.

The model suggests an obvious conclusion. The structure of the

Canadian broadcasting system, a statutory single system of private and public sectors, has been shaped less by carefully weighed and fully-executed principles of national strategy or statutory policy expressing that strategy, than by commercially motivated pressures and American practices, models and forces. Compromises, pressures and continental forces remain important, critical and even predominant.

APPENDIX C

INFORMATION AND CANADIAN SOCIETY

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Broadcasting is usually discussed in terms of preferences or objections to particular programmes or as a business of interest to shareholders or financial houses. The significance of radio and television as a social or political phenomenon is, however, of some public attention during elections. There is, also, among parents at least some recognition of the influence in the home of an instrument which holds children for an average of three hours daily. The other area of concern is the predominance of American programmes so much of the time and especially in the peak hours of evening.

This section suggests there are still deeper levels of consideration and that broadcasting must be understood or at least examined, not only as entertainment and an instrument for the widest distribution of news, but as perhaps the most powerful transmitter of information serving social or national purposes. It now perhaps constitutes the bond or transmits the bonds which forms the moral and spiritual fabric of a society.

The need in Canada is to elevate such discussion of broadcasting and of information from the ordinary level of gossip about this or that programme and to approach an appreciation of the communication of information itself in the individual or in the social unit as one of the essential constituents of life. A very lay commentary on this fact from a very lay, non-scientific source follows. Its purpose is to raise the communication of information from its present modest status in discussion of high policy to the stature of a subject as urgent as national health, defence, energy, pollution or other subjects of primordial significance. That is, of survival of a Canadian society.

The purpose of this section is to suggest that the brain of the human individual is primeval and that a society is primitive:

that the single brain after one or two billion years of evolution is mature, and the society with only some 10,000 years of evolution is immature, raw, and usually slow to learn or to reach mature judgments. Compared with the difficult and often slow response of a large social group like a nation, the individual human brain understands and learns quickly.

Indeed, what is the brain and nervous system of a society? Presumably, the answer is the system of communicating information.

The human body has automatic responses to physical changes and through the autonomous nervous system adjusts to cold by closing the pores or opening them to adjust to heat. The human body is well-provided with such responses which lead to adjustments to a changing environment. This ability to adjust to change - to become aware of it and alter the bodily situation to meet change - is called homeostasis.

What, in a society large or small, ancient or new, is the process by which a group of human beings becomes aware of and acts to adjust as a group to changes in the environment? For societies there is no physical apparatus appertaining to the society which is remotely as responsive and unified in communication as the apparatus of adjustment in the human individual.

These generalizations are not irrelevant to Pay-TV or to broadcasting and information - or the functioning of Canadian society.

Communication is an element not separated from but as essential a constituent as energy in human and social organization, and organization runs down as information recedes. Human beings are not isolated systems.¹ Therefore, they are in relationship with each other and their environment. They generate energy derived from food and light. They take in information through their senses and apply energy on the basis of information received by their central or autonomous nervous systems.

If communication ceases or declines; to that extent there

is isolation and the tendency in isolated systems is for disorder, for entropy to increase.

Information is the correlative of organization: the communication of information is a condition of organization and the opposite of entropy.² This is relevant to all forms of life and all orders of society.

The purpose of these generalizations is to insist that communication is not an event external to or merely a re-enforcement of the structure of a human being or a human society. On the contrary, it is an essential constituent of man and of society,³ and it sets limits to the coherence and extent of a society. It measures its activity or decline. It also measures, as Wiener⁴ observes, the autonomy of its responses and decisions.

The theme is summed up by Dr. Colin Cherry: "What is communication? It is the substance of all social life. I would define a society as a people in communication ...a social group, of any kind, exists only inasmuch as its members communicate."⁵

A society, community, a nation, like any other organism, is a function of a network, and is organized and its functioning is sustained by information. "Organism is seen as message ...organism is opposed to chaos, to disintegration, to death, as message is to noise."⁶

This emphasis upon information, communication, message, organization and network as the obverse of chaos, disorganization, interruption, noise and entropy, running down, suggests the following partly overlapping considerations.

(i) The network, the information carried, and the homeostasis⁷ of a human individual, provide essentially the negative of entropy. In the individual human being, the responsive and organizing ability, the anti- or negative entropy capacity is more ancient, more patterned and structured, more united and coherent, more responsive and ready to adjust to change than the very recently evolved

societies and communities. Brain is primeval; society is recent. The evolutionary age of the human is the age of the whole of animal and indeed other life. The age of a nation, a physical race, a language, is but a petty fraction of the time of life's evolution and man's primacy. Man is ancient and has been long in the making. A society higher than the pack is recent and inexperienced and, by comparison with the brain, immature and rudimentary.

(ii) The units of the information network represented in the brain and autonomous central nervous systems, are many times more numerous than is the world's population. "There are more cells in the brain of every single individual than there are people in the world",⁸ 10^{10} to 10^{12} neurones in the brain⁹ and only 4000 millions in the world population.

(iii) The capacity of neurones, each with its forest of dendrites for inter-connections is infinitely greater, their sensitivity to internal and external information infinitely more speedy than that of the physically separate units of any human community or the whole of mankind. An individual responds and adjusts to a change more speedily than a whole group, a small group more speedily and sensitively than a large group. An individual's total experience may be diversified but is formed by experience, the learning and the memory of one system, one organization, one network long evolved and physically coherent. The homeostasis of the individual is higher, the negative entropy greater than in a group though the system as a whole may be more quickly destroyed than a group by death. Yet, as long as there is life, "consciousness as a process may well be inexhaustible".¹⁰ This, in other words, means that memory, learning and feedback in an individual are greater and ensure greater responsiveness and more ready adjustment to change than those of any human society. Especially is this true of the contrast between a well-educated and mature individual and a large, scattered, and even well-organized society.

(iv) Obviously, the information stored in libraries, the total learning of a society and the sources of feedback for a society are greater than those of a single individual. This acquired and stored information, the memory facility of a society, may be used to enhance the responsiveness of an individual or groups but it is a long process of social experience and institutional development before a society, or even a governing elite in a society, may evolve the sensitiveness as a society and use knowledge as a society. This evolution and use are not yet remotely comparable to those of one human brain. The memory of a group is small and rudimentary and often close to tribal, primitive or even animal in its responses or decisions.

(v) Consciousness¹¹ - the use of memory and feedback - in a group or nation is a far more primitive process, though one more accessible to observation and analysis than the process within the enclosed, dark recesses of the human brain.

The individual human brain is the supreme or known supreme creation of nature over the aeons of evolution since, perhaps, the exact formula of seven elements, mixed in an isolated trough in a rock, was struck by the exact quantity of electricity of a flash of lightning and, according to earlier speculation, the stage we call life was abruptly initiated.¹²

Society as a society has aeons yet to go through before it evolves the intelligence of the individual. There is a vast, vast difference between the "autonomy and consciousness which are possible for a group, and the vastly greater potentiality of the individual".¹³ Brains are subtle, creative, imaginative; their speed, range of recall, and power of synthesis and hypothesis and all the processes named "thinking" are unmatched in other forms of life. Groups, for all their organizing power and achievements, are clumsy, meandering, slow, and their information networks crude - with "far less than the mental powers of a cat".¹⁴

The contrasts between the receptivity, responsiveness,

adjustability and intelligence of the cortex and CNS of an individual human and those of a group of humans are fertile stimuli to thought about communications and social sciences.¹⁵ These contrasts must be passed over, but two questions are relevant. One, what is the application, for example, of the communications engineering concept of the information-noise ratio as related to a society?¹⁶ Two, given that the individual brain is more efficient than what corresponds to the functioning of the brain in a group or society, may it be assumed that non-organic or mechanical means may (a) limit or insulate a group from the entropic, disorganizing influence of external 'noise', in the communication theory sense of the word 'noise'; or (b) enhance the social learning, feedback, and memory processes of a social group, improve the collection, storing retrieval and use of information, and so make a society more sensitive to change, more precise and prompt in decisions, in sum more responsive and coherent as a single society? The contrast between an individual and a society as communication systems is of critical significance. The system of the human is organized and evolved naturally. The system of the society has elements of recent conscious construction. It is partly evolutionary, partly organized and, contrasted with the internal nature of the brain (and even the brain's recent use of an inherent structural capacity for speech), it is external.

The two questions which follow are not irrelevant to the Canadian position in North America or in the world: they are also relevant to the position of Quebec in Canada and North America.

Do the Canadian people as a society receive information clearly from their own or other sources through the most effective and autonomous organization of communications or is the information confused? Is there 'noise'? May improved organization of information ensure more effective, more responsive decisions and a higher level of social organization in Canada?

If the layman's reference to the contemporary principles

of communications are valid, then the answers to these or similar questions involve the power of decision and autonomy of Canadian society. A society extends only so far and insofar as there extends an effectual transfer of information. What is the real, autonomous extent of the Canadian society and the extent of its own means of collecting, distributing, retrieving and using information for its own purposes, not in isolation from external sources of information but in the selection and autonomous decision taken about information?

FOOTNOTES

- 1 The Human Use of Human Beings; Chapter II, "Progress and Entropy", Norbert Wiener, M.I.T. Press, Cambridge, Mass. and London, 1954. Cf. also The Bias of Communications, "Minerva's Owl", H.A. Innis. Toronto, 1951 and The Integrative Action of the Nervous System, Sir Charles Sherrington, Yale, 1906 and The Excitable Cortex in Conscious Man, Wilder Penfield. Liverpool, 1958.
- 2 The entropy of a system is a measure of its degree of disorder.
- 3 The definitions of society and community vary with writers and between disciplines. Here, both terms are used as sufficiently meaning an organization of men.
- 4 Norbert Wiener, Professor of Mathematics, M.I.T., Cambridge, Mass.:
"Properly speaking the community extends only so far as there extends an effectual transmission of information. It is possible to give a sort of measure to this by comparing the number of decisions entering a group from outside with the number of decisions made in the group. We can thus measure the autonomy of the group."
Cybernetics, M.I.T. Press, Cambridge, Mass., 1965, pp. 157-158.
- 5 Journal of the Royal Society of the Arts, Dr. Colin Cherry, Professor of Telecommunications, Imperial College of Science, London. London, February, 1966, pp. 160-161.
Karl W. Deutsch, M.I.T., Cambridge, Mass. "Processes of communication are the basis of the coherence of societies, cultures and even of the personalities of individualsMembership in a people essentially consists in wide complementarity of Social Communications."
Nationalism and Social Communication. M.I.T. Press, 1953. pp. 60 - 67, 71, 80 and 141.
- 6 Wiener, op. cit., p. 95.
- 7 The maintenance of the constancy of the internal environment.
- 8 Deutsch, op. cit., p. 145.
- 9 The Computer and the Brain, John von Neuman, Yale Press, 1958, p. 48. This was his last lecture.
- 10 Deutsch, op. cit., p. 145.
- 11 "Consciousness is never experienced in the plural; only in the singular." What is Life?, Erwin Schrodinger, Cambridge, 1948, p. 90.
- 12 "The Origin of Life". Haldance, Bernal, Pirie and Pringle, The New Biology, No. 16, Penguin, London, 1959.

- 13 Deutsch, op. cit., p. 145.
- 14 Deutsch, op. cit., p. 146.
- 15 On Human Communication. Colin Cherry, M.I.T., Cambridge, Mass., 1957, Chapter 2.
- 16 This leads to some comparison with the human brain and neurophysiology. Cf. op. cit., Sherrington and von Neuman; Memory and Language, ed. W. Feindel, Saskatoon, 1959; Science and Man, Lord Brain, London, 1966 and Studies on the Cerebral Cortex, S. Ramon Y Cajal, Madrid, 1901 and London, 1955.

1 October 1976

COMMENT
COMMENTAIRE

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Mr. Guy Lefebvre
Secretary-General
Canadian Radio-television and Telecommunications Commission

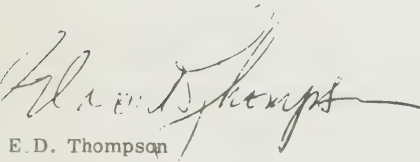
Attached is a joint submission from the Trans-Canada Telephone System and Telesat Canada concerning the development of Pay-TV in Canada. The provision of Pay-TV service on an integrated satellite/terrestrial network will provide a high standard of service available to all Canadians at a lower cost than either a terrestrial or a satellite system could provide, independent of one another.

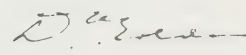
The introduction of Pay-TV, and all of the other services which could flow from it in the future, does not require the development of any new, limited function, delivery systems. Rather, in this country, Canadians are fortunate in that we have one of the most capable telecommunication networks in the world and it is available now for the delivery of Pay-TV, on a real-time basis.

It is in this context that we propose that Canada's domestic satellite system, integrated with the national telephone network, be used to deliver Pay-TV from program source to the local distributor in each community. This integrated system may also be expanded to bring Canadians more benefits in such areas as expanded CBC English, French and Northern services, second English service (CTV), independent broadcast programming, CATV program distribution; educational television and a variety of other services which would serve to improve the quality of life, particularly in this country's more remote regions.

Pay-TV might well affect things such as the expansion of basic telecommunications services to remote areas, the demands made on network capacity which will affect the application of capital and the future development of the entire communications network.

Please be assured that we are prepared to work in close cooperation with the CRTC and any other relevant body to develop a service which will serve Canadian interests both now and well into the future.


E.D. Thompson
President
Trans-Canada Telephone System


D.A. Golden
President
Telesat Canada

This submission proposes a system for the transmission of Pay-TV in Canada. It is submitted jointly by the Trans-Canada Telephone System (TCTS) and Telesat Canada in the belief that the introduction of Pay-TV is both desirable and inevitable. Within an appropriate structure ensuring the necessary regulatory control over the three major components -- programming, distribution and local delivery -- Pay-TV can become a positive factor in Canada's social, cultural and economic development.

Telesat and TCTS with its member companies is the one group which can provide the flexibility to transmit programming on national, regional, and local levels.

This has and is being demonstrated in the provision of telecommunications services throughout Canada at a reasonable cost to the public regardless of their geographic location or stage of economic development.

This submission indicates the willingness of TCTS and Telesat to implement a system for the transmission of Pay-TV in close cooperation with those organizations representing other major elements in the system.

The emergence of Pay-TV in Canada appears to be inevitable. Small-scale operations are already in evidence. Many organizations are gearing-up for the full-fledged introduction of national service. A wide spectrum of interest groups has attempted to establish themselves as the logical, and often sole, providers of this service.

In all this, one thing is clear. The impact of Pay-TV goes far beyond the mere provision of an alternate channel for home entertainment -- the production, transmission and delivery systems adopted could play major roles in the future development of the entire Canadian telecommunications and broadcasting system. The delivery system alone will affect satellite development, expansion of telecommunications to remote communities, and even the choice between the further encroachment of U.S. culture or the development of Canadian talent.

The overall system concept proposed by TCTS and Telesat recognizes the importance of Pay-TV on many aspects of Canadian life. Certain premises advanced by government underlie this proposal:

- Pay-TV should be a positive force in the advancement of Canadian production abilities, Canadian industry and culture.
- Pay-TV, and the other telecommunications benefits that will accrue from it, should be available to all Canadians at an equitable cost.
- Pay-TV will not develop universally in Canada unless it is within the context of a national system as the licencing of separate individual groups will make regulation difficult and will tend to lead to non-Canadian control

Other premises, also fundamental to this proposal are:

- The larger population centres must be part of the overall system from the beginning so that adequate revenues are generated to support service to small and remote locations
- Pay-TV would commence in larger centres first. The ultimate spread of Pay-TV to smaller communities would be determined by the apportionment of revenues designated for transmission.
- Although Pay-TV may eventually operate on a cost per program basis, initially, subscription will be on a monthly basis. This will also provide an opportunity for Canadian film makers to establish their abilities to a large audience.
- The system should be designed today so that it can grow and evolve in future years without requiring the major restructuring of the Canadian telecommunications system.
- The delivery of Pay-TV can and should be accomplished within the framework of the existing telecommunications system with the planning and implementing of the capital intensive part of the delivery system accomplished by TCTS/Telesat. This would allow Canada's total telecommunications service to benefit from economies of scale while allowing flexibility of program source and distribution for Pay-TV and CATV.

There are three major aspects to the system as visualized by TCTS and Telesat; one is the establishment of one or more Program Agencies to produce, select, procure, commission, schedule, and promote Pay-TV; two, is the establishment of a nationwide transmission system using the integrated facilities of the Trans-Canada Telephone System and Telesat Canada; and three, is the licencing of individual organizations, to handle the local distribution of Pay-TV.

The Program Agency

As common carriers, TCTS and Telesat are concerned with the means of transmission rather than the form or content of the message. However, the potential impact of Pay-TV means that whatever system is adopted will affect the ability of the carriers to provide the entire range of telecommunications services vital to Canada's continued growth.

- For the purposes of this submission it is assumed that those with expertise in programming and production will provide the CRTC with authoritative views "concerning the development of a Pay-TV program agency."
- Presumably, a consortium would be formed from among the broadcasters, cable industry, government agencies, film industry and general public.
- Implicit in the concept of a Program Agency is the assumption that part of the revenues would flow through to fund "high quality Canadian programs which Canadians will watch".
- The provision of some significant share of Pay-TV revenues to domestic production entities will broaden their financial resources and will provide a leverage effect allowing greater future earnings.

The nationwide transmission system

The universal telecommunications network which TCTS and Telesat have constructed provides a valuable resource for the transmission of voice, data and television services. By integrating satellite and terrestrial facilities, the network will be even more responsive to Canadian needs. Integration also means the optimization of both space and earth facilities and will make possible a new generation of high-capacity satellites in the near future. Using these resources, TCTS and Telesat can provide a shared-usage delivery service for the introduction and continuation of Pay-TV starting in 1977.

The integrated satellite and terrestrial carriers would act as delivery agent on behalf of the Program Agency. In accordance with schedules, and at designated pick-up points, the carriers would be responsible for delivery of programs from the Program Agency to local Pay-TV distributors. This approach is responsive to regulation and the needs of the market yet minimizes financial risk and outlay to all parties.

- The main source of programming, which is in no way synonymous with production, would be located near an existing earth station. Terrestrial microwave facilities would link this source to the earth station. Programs would be transmitted from there by satellite to earth stations throughout Canada.
- Storage and switching facilities could be established at the earth station so that once a program is carried by a system, subsequent retransmissions, to accommodate time zones and repeat showings, can all be administered in accordance with scheduling specified by the Program Agency.

- From late 1977 until early 1980, a two channel satellite delivery system can be operated at 6/4 gigahertz using techniques and equipment designs which are available today.
- The limitations of two channels and a somewhat restricted choice of earth station transmit and receive locations are minimal during the low traffic early years. However, the resulting stimulus to domestic production, demand pattern changes and volume increase would be accommodated from 1980 onward when conversion would begin to 14/12 GHz distribution using new satellites which will have the following benefits:

Complete avoidance of receive and transmit interference problems allowing optimum location of earth stations in downtown areas, thereby providing economies by eliminating the need for backhaul from distant earth stations.

Earth stations can be provided at downtown telephone company switching centres. This will provide the best physical environment for the receiving equipment, minimum loss of signal due to transmission, stable protected power, backup facilities, easy access for maintenance, and the full opportunity to use satellite capacity for other telecommunications services.

Television service can be extended to surrounding communities by existing TCTS terrestrial microwave or coaxial cable.

Maximum integration of satellite facilities and the established television transmission network at existing common carrier Television Operating Centres will provide full flexibility.

Programs produced anywhere in Canada can be sent by satellite to the Program Agency for acceptance and scheduling into the distribution system.

Additional locations can be served quickly and efficiently through the installation of additional earth stations.

Although the capital costs associated with a proposal of this magnitude are substantial, no other delivery system can offer the same economy, flexibility and reliability.

Local distribution

Pay-TV could be distributed to the public by local broadcasters or cable television operators.

- The integration of the pay television network and the TCTS system will allow the option of automatic ordering of programs and eventually a complete pay-as-you-use system.
- A program selection and billing system based on the use of the telephone network will remove the need for verbal communication of program choice. The subscriber could unlock the Pay-TV channel directly at the same time registering billing information which would be collected automatically during the night hours by a computer controlled data collection system operating over the local telephone network. Systems have already been tested for collection of similar usage data such as remote reading of utility meters.

- Local distribution agencies could be charged by the Program Agency for the programs they receive.
- With full participation by the larger centres of population the TCTS/Telesat system permits a rate structure which would result in an equitable level of costs for both urban population centres and remote communities. This could accelerate the development of broadcast facilities in small or remote communities and provide a major mechanism to equalize the opportunities for access in all parts of Canada.

The system proposed by TCTS/Telesat will provide a vehicle for future applications and reinforce technological developments. The physical means for program distribution will become more sophisticated, providing greatly expanded capacity and versatility thus encouraging the development of programs and services directed towards individual tastes, special interest groups and minority audiences. Some possible future applications for the total integrated network could be:

- House of Commons broadcasting

Live broadcasting of House of Commons proceedings on a full-time basis becomes economically feasible on an integrated network using high capacity satellites.

- Provincial public affairs

The system would accommodate matters of intra-provincial interest such as, legislative proceedings, public affairs, sporting and cultural events.

- CATV

An integrated network would allow expansion and enhancement of Canadian broadcasting services to all cable distributors across the country. It would be ideally suited to solving the problems of the distribution of U.S. programming while eliminating the proliferation of off-air pick-ups by providing U.S. programs to cable operators from a limited number of gateways.

● Electronic news

Initially available on a subscription basis using a full channel as do current CATV weather/information channels. Eventually available on a page by page basis. Specialized news features could be directed to diverse interests and could include film clips and instructional material.

● Educational programs

A series of programs produced to provide instruction on a variety of topics could be carried by television and integrated with other academic programs and extension departments of educational institutions.

● Conference television

The integrated facilities of TCTS/Telesat will provide an ideal vehicle for the many configurations of interactive conference services. As a substitute for travel, conference television will contribute to energy conservation.

● Telemedicine

Bi-directional video-audio communications between a base hospital and remote locations to help diagnosis of emergency cases, to monitor intensive care equipment, to assist in medical training and to aid in the development of paramedical facilities in remote locations.

● Electronic Mail

Fast and reliable transmission of mail through the development of intelligent switching systems now evolving in the carrier industry.

- Marine and air communication, particularly those beyond the coverage area of the Marisat system.

Ships in Canadian waters could communicate and exchange information with a control centre or among themselves. Reliable operational and safety services for shipping including remote gathering of radar and other navigational aid information, emergency communications associated with disasters, oil spills, pollution reports and supply operations. The same concepts would apply for air traffic control.

- Data Collection

Small earth terminals connected to sensing equipment can be used at isolated locations to collect telemetry data such as meteorological and environmental conditions and relay such information to a central collection station. The collection station would receive data from many remote locations for processing and routing to appropriate destinations.

All of these examples underline the eventual diversification of the nationwide telecommunications transmission system. The rational introduction of Pay-TV will assist in developing a communications resource which can provide this diversity of services throughout Canada. It is important, from the outset, to create an environment which will encourage innovation and growth and stimulate effective communications between all parts of this diverse country.

The more extensive the use of satellites, the greater the opportunity to make it a cost effective way of serving the North and other remote regions.

The Trans-Canada Telephone System and Telesat Canada provide the best means to deliver Pay-TV to all parts of Canada in accordance with such national objectives as bringing Canadian broadcasting services to every Canadian community; developing Canadian production, talent and culture; controlling distribution of U.S. programming in a manner supportive of Canadian objectives; improving voice and business communications to remote regions; and ensuring that our prime orbital positions in space are maintained and utilized.

It is economical

- avoids duplication of facilities
- optimizes the use of satellite and terrestrial facilities
- system can grow as it earns
- avoids duplication of technical expertise
- easy access to research and development
- allows national planning of facilities
- billing capability provides future flexibility for program charging

It provides the best service

- guaranteed quality of delivered signals
- concentrates responsibility for quality at one interface point
- system backup in case of channel failure
- facilitates introduction of new services
- encourages use of new satellite technology which will help improve service to the North.

It is readily available

- universal early availability through existing facilities
- early implementation forestalls incursion of non-Canadian interests
- earth station facilities easily expanded

It provides Canadian ownership

- TCTS members and Telesat are Canadian controlled
- involvement in delivery system encourages domestic research and development
- aids Canadian space, electronics, and telecommunications industries

It meets government objectives

- rate flexibility concepts equalize cost
- improves access for all Canadians because of satellite use
- choice and quality of television service equalized in urban, and remote communities

It will stimulate Canadian program production

- access to large audience
- access to specialized interest groups
- leverage effect of revenue splitting formula
- potential for international trade of programs

le 1er octobre 1976

M. Guy Lefebvre
Secrétaire général

Conseil de la radiodiffusion et des télécommunications canadiennes

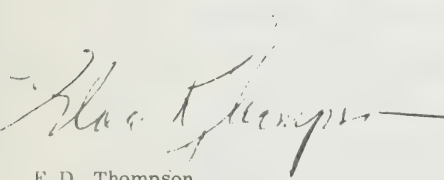
Veillez trouver ci-joints les commentaires préparés conjointement par le Réseau téléphonique trans-canadien et Télésat Canada au sujet de l'introduction de la télévision à péage au Canada. Le service de télévision à péage fourni par un réseau intégrant le satellite et les moyens terrestres assurera à tous les Canadiens un très bon service à un coût inférieur à celui de systèmes utilisant uniquement soit les satellites, soit les moyens terrestres.

L'introduction de la télévision à péage et de tous les services qui en découleraient dans l'avenir ne nécessitent pas le développement d'un nouveau système de livraison. Au contraire, les Canadiens ont le privilège d'avoir à leur disposition un des réseaux de télécommunications des plus modernes et avancés. Il est actuellement disponible pour assurer la transmission instantanée de la télévision à péage.

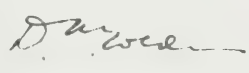
Nous proposons donc que le système de satellite canadien intégré au Réseau téléphonique trans-canadien soit utilisé pour transmettre la télévision à péage à partir du point de programmation jusqu'aux distributeurs locaux de chaque communauté. Ce système intégré permettrait aussi l'expansion des réseaux anglais, français et service du Nord de Radio-Canada, du second réseau anglais (CTV), de la couverture des programmes produits par les radiodiffuseurs indépendants, de la cablodistribution, de la télévision éducative, et d'autres services qui serviraient à améliorer la qualité de la vie, surtout dans les régions les plus éloignées du pays.

La télévision à péage pourrait bien avoir des effets sur l'expansion des services de télécommunications de base aux régions éloignées et aux demandes imposées sur la capacité du réseau. Conséquemment, l'allocation du capital et du développement futur de réseau de communications en sera affectée.

Soyez assurés que nous sommes disposés à travailler en collaboration étroite avec le CRTC et tout autre organisme en vue de perfectionner un système qui servira les intérêts canadiens aujourd'hui et demain.



E.D. Thompson
Président
trans-canadien



D.A. Golden
Président
Télésat Canada

Le présent mémoire a été préparé par le Réseau téléphonique transcanadien (RTT) et par Télésat Canada. Croyant que l'avènement de la télévision à péage est à la fois inévitable et désirable, ces sociétés proposent la mise en oeuvre d'un réseau de transmission des émissions de télévision à péage. Etablie dans le cadre d'une structure appropriée qui assurerait la réglementation nécessaire des trois grands secteurs (programmation, transmission et distribution locale), la télévision à péage peut devenir un facteur positif du développement économique, social et culturel du pays.

Télésat, le RTT et les sociétés membres du RTT forment l'unique groupe qui peut assurer la souplesse nécessaire pour la transmission des émissions aux échelons national, régional et local.

Ces sociétés ont fait et font encore leurs preuves en assurant des services de télécommunications dans tout le Canada à prix raisonnable pour toutes les collectivités, peu importe l'emplacement géographique et le niveau de développement économique de celles-ci.

Dans le présent mémoire le RTT et Télésat y expriment leur désir d'entreprendre la mise en oeuvre du réseau de transmission de la télévision à péage en étroite collaboration avec les organismes qui représentent les autres secteurs principaux.

L'apparition de la télévision à péage au Canada semble inévitable. Le service existe déjà à petite échelle dans certaines régions et de nombreux organismes se préparent en vue de l'introduction du service à l'échelle du pays. Parallèlement, divers groupes d'intérêts ont tenté de s'imposer comme étant logiquement les seuls à pouvoir offrir le service.

De tout cela, il ressort clairement que le service de télévision à péage est plus que la simple fourniture d'un autre canal de télévision pour le divertissement des Canadiens. De fait, la production, la transmission et la distribution d'émissions de télévision à péage pourraient jouer un rôle important dans le développement futur de tout le réseau canadien de télécommunications et de radiodiffusion. La transmission à elle seule influera sur le développement des satellites et sur l'extension des services de télécommunications aux régions éloignées et posera même le problème du choix entre l'empiètement accentué de la culture américaine et l'encouragement des talents canadiens.

Le RTT et Télésat ont tenu compte de l'importance de l'incidence de la télévision à péage sur les nombreux aspects de la vie des Canadiens lorsqu'ils ont conçu le réseau projeté. La définition du réseau repose sur les hypothèses fondamentales suivantes qui répondent aux préoccupations du gouvernement:

- la télévision à péage doit être un facteur positif de l'essor des compétences canadiennes en production d'émissions, de l'industrie et de la culture canadienne;
- le service de télévision à péage et tous les autres avantages en matière de télécommunications qui en résulteront doivent être accessibles à tous les Canadiens à un prix équitable;

- la télévision à péage ne pourra être introduite au pays que dans le cadre d'un réseau national car la délivrance de licences d'exploitation à de nombreux petits groupes rendrait difficile toute réglementation et conduirait probablement à une mainmise étrangère sur le service.

Les autres hypothèses, tout aussi fondamentales, sont données ci-dessous.

- Les grands centres de population doivent faire partie du réseau dès le début de sorte qu'il soit possible de tirer du service des revenus suffisants qui permettront de desservir les collectivités petites et éloignées.
- Le service de télévision à péage doit être introduit d'abord dans les grands centres. L'extension consécutive du service aux collectivités plus petites se fera en fonction de la part des revenus qui sera versée aux entreprises de transmission.
- Bien qu'il puisse être un jour être offert sur la base d'un tarif par émission, le service de télévision à péage sera initialement vendu par abonnement mensuel. Cela permettra de plus de donner la chance aux producteurs de films canadiens de se créer un vaste auditoire.
- Le réseau doit être conçu dès aujourd'hui de sorte qu'il puisse nécessiter de restructuration importante du réseau canadien de télécommunications.
- La distribution des émissions de télévision à péage peut et devrait se faire au moyen du réseau canadien de télécommunications qui existe déjà; dans ce contexte, la planification et la mise en oeuvre de la partie du réseau de transmission à construire serait confiées à Télésat et au RTT. Le Canada profiterait alors d'économies d'échelle dans le domaine des services de télécommunications et le réseau assurerait la diversité des sources d'émissions et la souplesse de la distribution des émissions de télévision à péage et des émissions câblodiffusées.

DESCRIPTION DU RESEAU

L'établissement du réseau de télévision à péage comporte, selon le RTT et Télésat, trois éléments principaux. Le premier est la création d'une ou plusieurs agences de programmation dont le rôle serait de produire, choisir, fournir et commander des émissions, d'en établir les horaires de diffusion et de promouvoir la télévision à péage. Le deuxième est la création d'un réseau national de transmission par l'unification des installations du RTT et de Télésat. Le troisième est la délivrance de licences d'exploitation à des organismes qui assureraient la distribution locale des émissions.

L'Agence de programmation

En tant que sociétés exploitantes de télécommunications, le RTT et Télésat se préoccupent des moyens de transmission plutôt que de la forme ou du contenu des messages. Il faut cependant souligner le fait que la mise en oeuvre d'un réseau de télévision à péage, quel qu'il soit, influera, en raison même de l'importance de l'incidence au pays de la télévision à péage, sur la capacité des sociétés exploitantes de fournir la gamme complète des services de télécommunications essentiels à la croissance soutenue du Canada.

- Aux fins du présent mémoire, nous avons pris pour acquis que les experts en programmation et en production d'émissions conseilleront le CRTC en ce qui a trait à la création d'une Agence de programmation.
- Tout probablement, un consortium sera créé qui regroupera des radiodiffuseurs, des exploitants du câble, des agences gouvernementales ainsi que les représentants de l'industrie cinématographique et du public en général.

- La création d'une Agence de programmation suppose implicitement qu'une partie des revenus du service serait consacrée à financer "des émissions canadiennes de qualité qui plairaient à l'auditoire canadien".
- En assurant les organismes de production nationaux d'une partie des revenus de la télévision à péage, on permettrait à ces derniers de diversifier leurs ressources financières et cela aurait un effet d'entraînement qui se traduirait par des revenus futurs plus considérables.

Le réseau de transmission national

Le réseau de télécommunications qu'ont construit le RTT et Télésat est un excellent moyen d'acheminer la voix et des services de données et de télévision. En unifiant les installations terrestres et à satellite, on rendra le réseau encore plus sensible aux besoins des Canadiens. Cette unification permettra l'emploi optimal des installations spatiales et terrestres et rendra de plus possible dans un proche avenir le développement d'une nouvelle génération de satellites de grande capacité. A l'aide de ces ressources, le RTT et Télésat pourront fournir dès 1977 un service de transmission à utilisation partagée qui permettra de commencer et de poursuivre le service de télévision à péage.

Les deux sociétés exploitantes, après avoir unifié leurs réseaux terrestres et à satellite, agiraient à titre de distributeur au nom de l'Agence de programmation. Elles auraient la responsabilité de distribuer aux exploitants locaux de la télévision à péage les émissions de l'Agence de programmation; la distribution se ferait aux points de réception préalablement déterminés et selon les horaires établis. Cette approche est sensible à la réglementation et aux besoins du marché, mais réduit au minimum pour toutes les parties les risques financiers ainsi que les déboursés.

- Le centre principal de programmation, qu'il ne faut pas confondre avec les centres de production d'émissions, serait situé près d'une station terrienne existante. Des installations terrestres à micro-ondes relieraient ce centre à la station terrienne, d'où les émissions seraient transmises par satellite vers des stations terriennes de réception dans tout le Canada.
- Les installations de commutation et de mise en mémoire pourraient être établie à la station terrienne. Il serait alors possible, une fois une émission transmise par le réseau, de planifier, conformément aux horaires établis par l'Agence de programmation, la retransmission de cette émission afin de tenir compte des décalages horaires ou afin de la représenter au même auditoire.
- Il sera possible, depuis les derniers mois de 1977 jusqu'au début de 1980, d'exploiter un réseau à satellite de distribution à deux canaux dans les bandes de 6/4 GHz à l'aide de techniques et d'appareils qui sont déjà au point.
- Les limites imposées par l'emploi de deux canaux seulement et le choix restreint des emplacements de stations terriennes d'émission et de réception n'auraient pas d'effets défavorables au cours des premières années car le trafic sera faible. En raison de l'impulsion donnée à la production nationale d'émissions, des changements des tendances de la demande et du trafic qui aura augmenté, ces limites deviendront gênantes vers le début de 1980; il faudra alors avoir mis en place un réseau de distribution dans les bandes de 14/12 GHz qui utilisera de nouveaux satellites. Ce réseau offrira les avantages ci-dessous.

Elimination des problèmes de brouillage à la réception et transmission, ce qui permettra d'installer les stations terriennes en plein centre des villes et donc de réaliser des économies puisque les relais à micro-ondes entre les villes et les stations terriennes éloignées ne seront plus nécessaires.

Les stations terriennes pourront être installées dans les centres de commutation téléphonique situés dans le centre des villes. Les appareils de réception seront bien protégés contre le milieu, seront alimentés de façon stable et seront d'accès facile; de plus, les portes de transmission seront réduites au minimum. Il sera également possible d'utiliser le satellite pour d'autres services de télécommunications.

Le service de télévision à péage pourra être offert aux collectivités voisines des villes au moyen de réseaux terrestres à micro-ondes ou à câbles coaxiaux qu'exploite déjà le RTT.

Il sera possible de réaliser l'unification maximale des installations à satellite et du réseau établi de radiodiffusion télévisée dans les centres d'exploitation de télévision des sociétés exploitantes, ce qui permettra une souplesse totale.

Toutes les émissions produites partout au Canada pourront être transmises par satellite à l'Agence de programmation qui pourra alors les approuver et établir les horaires de distribution.

Des emplacements de réception supplémentaires pourront être établis rapidement et efficacement par la simple installation de stations terriennes supplémentaires.

Les frais de premier établissement d'un tel réseau sont considérablement élevés; aucun autre réseau de distribution ne peut cependant offrir la même rentabilité, la même souplesse et la même fiabilité.

Distribution locale

La distribution au public des émissions de télévision à péage pourrait être assurée par des radiodiffuseurs ou des exploitants du câble locaux.

- L'unification du réseau de télévision à péage et du réseau du RTT permettrait la demande directe d'émissions ainsi que l'établissement, un jour, d'un système de paiement instantané.
- L'établissement d'un système de choix d'émissions et de facturation reposant sur l'emploi du réseau téléphonique éliminerait la nécessité pour l'auditeur de communiquer verbalement son choix d'émissions. L'abonné pourrait débloquent le canal de télévision à péage et donner alors les renseignements nécessaires à la facturation. Ces renseignements seraient recueillis la nuit par un système informatisé de saisie des données fonctionnant à la grandeur du réseau téléphonique local. Des systèmes servant à la cueillette de données semblables (consommation de gaz, d'eau, etc.) ont déjà été mis à l'essai.
- L'Agence de programmation pourrait facturer les agences de distribution locales pour les émissions reçues.
- En raison de la participation totale des grands centres de population au réseau du RTT et de Télésat, il serait possible d'établir une structure tarifaire qui assurerait des prix équitables pour la population des centres urbains et les collectivités éloignées. Cela pourrait permettre d'accélérer l'expansion des installations de radiodiffusion dans les collectivités petites ou éloignées et pourrait être un mécanisme important de subvention qui assurerait à tous les Canadiens un accès égal au service.

Le réseau proposé par le RTT et Télésat permettra la naissance d'une foule d'applications et imprimera une impulsion à des développements technologiques. La distribution des émissions se fera par des moyens plus complexes de capacité et souplesse plus grandes, ce qui permettra la production d'émissions et la fourniture de services destinés à des auditoires minoritaires, à des groupes partageant des intérêts particuliers et à des groupes de personnes ayant les mêmes goûts. Certaines des applications futures que permettrait de réaliser un réseau unifié sont données ci-dessous.

- Radiodiffusion des débats de la Chambre des communes

La radiodiffusion en direct et en permanence des débats serait économiquement réalisable au moyen d'un réseau unifié à satellites de grande capacité.

- Affaires publiques provinciales

Le réseau permettrait l'échange entre les provinces d'émissions portant sur des questions provinciales: débats législatifs, affaires publiques, événements sportifs et culturels.

- STAC

Un réseau unifié permettrait aux câblodiffuseurs de tout le pays d'augmenter et d'améliorer leurs services. Il serait le moyen idéal d'éliminer les problèmes relatifs à la distribution des émissions américaines et de réduire le nombre de points de réception en direct en fournissant aux câblodiffuseurs les émissions américaines à partir d'un nombre limité de points d'accès.

- Journal électronique

Le journal serait initialement offert par abonnement au moyen d'un canal complet de télévision, comme c'est le cas des bulletins de nouvelles et de météorologie câblodiffusés. Il pourrait être un jour acheté page par page. Des émissions spécialisées, destinées à divers publics, permettraient la présentation de films d'archives et de matériel de formation.

- Emissions éducatives

Des séries d'émissions éducatives portant sur divers sujets pourraient être radiodiffusées et unifiées avec d'autres programmes éducatifs et avec les cours offerts par les services d'éducation populaire des maisons d'enseignement.

- Téléconférences

Le réseau unifié serait le moyen idéal d'assurer divers services de téléconférences interactives. Plutôt que de se déplacer, les Canadiens pourraient employer la téléconférence, ce qui aiderait de façon appréciable à la conservation de l'énergie.

- Télémédecine

Des communications bi-directionnelles sonores et visuelles entre un hôpital central et des cliniques éloignées permettraient l'établissement de diagnostics rapides dans les cas d'urgence, le contrôle à distance d'appareils de soins intensifs, la formation médicale à distance et la mise en oeuvre de services paramédicaux dans les régions éloignées.

- Courrier électronique

Le réseau permettrait la transmission rapide et fiable du courrier grâce à des systèmes de commutation évolués que met actuellement au point l'industrie des télécommunications. Le service permettrait de résoudre de nombreux problèmes posés par la manipulation physique du courrier.

- Communication pour les services de l'air et de la marine, particulièrement ceux au delà du système Marisat

Les navires qui naviguent dans les eaux canadiennes pourraient communiquer entre eux et avec un centre de contrôle afin d'échanger divers renseignements. Il serait ainsi possible d'établir des services d'exploitation et de sécurité fiables: saisie à distance de données obtenues par radar, information pour aide à la navigation, communications d'urgence dans les cas de collision ou de déversement accidentel de pétrole, rapports sur la pollution, etc. Des services semblables pourraient être offerts pour aider au contrôle de la circulation aérienne.

- Cueillette de données

Le réseau permettrait l'exploitation de petites stations terriennes reliées à des appareils capteurs dans les régions éloignées afin de recueillir des données de télémessure, par exemple des données sur les conditions météorologiques et sur l'environnement. Les données seraient ensuite retransmises à un poste central. Ce poste pourrait traiter les données en provenance des appareils éloignés et acheminer les résultats aux endroits appropriés.

Tous les exemples susmentionnés montrent à quel point un réseau de transmission et de télécommunications national peut être souple et diversifié. L'introduction bien planifiée du service de la télévision à péage peut aider au développement des ressources en télécommunications qui permettront d'offrir partout au Canada une gamme variée de services. Il est donc essentiel de créer dès le départ des conditions favorables à l'innovation et à la croissance et qui stimuleront l'établissement de télécommunications efficaces entre toutes les parties de notre immense pays.

Il faut enfin noter que le réseau sera progressivement un moyen économique de desservir le Nord et les régions éloignées au fur et à mesure de l'emploi intensif des satellites.

Le Réseau téléphonique transcanadien et Télésat Canada sont en mesure de fournir le meilleur réseau de distribution des émissions de télévision à péage partout au Canada, en conformité avec divers objectifs nationaux: fournir à toutes les collectivités canadiennes les services canadiens de radiodiffusion, développer la distribution des émissions américaines afin d'appuyer les objectifs du Canada, améliorer les communications vocales et les communications d'affaires pour les régions éloignées, assurer que nos emplacements primaires d'orbite seront employés et qu'ils nous seront réservés, etc.

Le réseau est économique

- il permet d'éviter le double emploi des installations
- il permet l'optimisation de l'emploi des installations terrestres et à satellite
- sa croissance se fera selon les ressources
- il permet d'éviter le double emploi des compétences techniques
- il facilite l'accès à la recherche et au développement
- il permet la planification des ressources à l'échelle nationale
- ses caractéristiques de facturation permettront la facturation par émission

Le réseau permettra le meilleur service possible

- Il permet d'assurer la qualité des signaux distribués
- il sera plus facile de trancher les questions de responsabilité relatives à la qualité puisqu'il n'y aura qu'un seul point de jonction

- il permet l'emploi d'installations de secours en cas de panne
- il permet le cloisonnement des secteurs distribution, production et programmation
- il facilite l'introduction de nouveaux services
- il encouragera l'emploi de nouvelles techniques de télécommunications par satellite qui aiderait à l'amélioration des services dans le Nord.

Le service sera facilement établi

- Le service sera disponible très tôt grâce aux installations existantes
- l'introduction hâtive du service rendra difficile la mainmise étrangère
- les installations de station terrienne se modifient facilement

Le réseau sera la propriété de Canadiens

- les membres du RTT et Télésat appartiennent déjà à des intérêts canadiens
- sa mise en oeuvre stimulera la recherche et le développement au pays
- il aidera à l'essor des industries spatiale, électronique et des télécommunications

Le réseau est conforme aux objectifs du gouvernement

- la souplesse de la tarification permet le nivellement des coûts
- meilleur accès aux services pour tous les Canadiens grâce à l'emploi de satellites
- le réseau permet d'offrir le même choix et la même qualité d'émissions aux collectivités urbaines, rurales et éloignées.

Le réseau stimulera l'industrie canadienne de production d'émissions

- le réseau favorisera la haute qualité de la teneur des émissions
- les émissions seront accessibles à un vaste auditoire
- le réseau permettra de desservir des groupes qui partagent des intérêts particuliers
- le réseau aura un effet catalyseur sur la formule de partage des revenus
- le réseau permettra éventuellement le commerce international des émissions de télévision à péage.



ASTRAL BELLEVUE

EXECUTIVE OFFICES, MTL.

Pathé LTD /LTEE

BUREAU DES DIRECTEURS, MTL.

COMMENT COMMENTAIRE
54

TELEVISION A PEAGE

MEMOIRE SOUMIS AU C.R.T.C.



MEMOIRE PRESENTE AU C.R.T.C.

PAR

ASTRAL BELLEVUE PATHE LTEE

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EXTRAITS DU DISCOURS DE
L'HONORABLE JEANNE SAUVÉ
MINISTRE DES COMMUNICATIONS

ASSOCIATION CANADIENNE DE LA CABLOVISION
TORONTO, LE 2 JUIN 1976

Dans une allocution prononcée le 2 juin 1976 à titre de ministre des Communications, l'honorable Jeanne Sauvé soulignait que la réglementation constante du fédéral en matière de radiodiffusion, y compris ce qui a trait à la Télévision à Péage, constitue un facteur crucial visant à l'application d'une politique cohérente et bien ordonnée au profit de la nation toute entière.

Le ministre a reconnu par la même circonstance que la tâche de tirer le meilleur parti possible de la Télévision à Péage constitue un défi de taille, en tenant compte de trois grands objectifs, à savoir:

1. "La structure choisie devra nous permettre de fournir une gamme d'émissions qui ne soit pas une simple réplique de la programmation actuellement offerte par les radiodiffuseurs. Et cela devra se faire sans qu'il y ait détournement des émissions du système de radiodiffusion au profit de la Télévision à Péage.
2. "Cette structure devra favoriser la production d'émissions canadiennes de haute qualité, susceptibles d'intéresser les Canadiens.
3. "Elle devra faire en sorte que soient produites au Canada des émissions destinées au marché international."

"...La troisième solution serait d'établir un réseau distinct de Télévision à Péage dont la propriété et le fonctionnement échapperaient aux radiodiffuseurs et aux cablodiffuseurs déjà en place. Cette formule aurait l'avantage de diminuer les conflits entre les industries de la radiodiffusion et de la cablodiffusion."

"Un réseau de Télévision à Péage du genre discuté pourrait offrir des avantages précis pour chaque composante de l'industrie, et il nous fournirait l'occasion de créer de toute pièce cette agence de distribution canadienne qui nous fait si cruellement défaut à l'heure actuelle. Compte tenu des faiblesses actuelles de l'industrie canadienne de la production et du besoin évident de nous doter d'un organisme fort pour promouvoir la réalisation, la présentation et la vente d'émissions canadiennes, nous reconnaitrons tous, je crois, que la naissance d'une agence de distribution canadienne serait un net progrès pour le pays. La notion du réseau de Télévision à Péage me semble donc particulièrement intéressante, et j'aimerais bien connaître votre opinion là dessus."



I. Introduction

A. Ce qu'est la Télévision à Péage

La Télévision à Péage est un moyen électronique en vertu duquel un abonné peut regarder certains longs-métrages et des événements spéciaux en exclusivité sur son petit écran, en retour du versement d'un montant précis versé chaque mois ou tous les deux mois.

On doit comprendre que ce mode de télévision n'est pas le prolongement de la programmation ordinaire de TV, mais plutôt une extension de la distribution cinématographique de films et d'événements spéciaux. Historiquement, ce mode de divertissement offrira, par exemple, des télémissions sportives ainsi que des concerts. Mais la Télévision à Péage ne s'intéresse pas aux séries télévisées, aux émissions de variété et aux lignes ouvertes, qu'elle laisse aux radiodiffuseurs ordinaires.

Un réseau de Télévision à Péage constituerait un noyau central qui verrait à coordonner l'achat de films, l'installation d'équipement technique, la gestion et la perception des revenus, la vente du produit au grand public, de même que la préparation et l'acheminement de programmes spéciaux.



B. Télévision à Péage: Contenu et Marketing

Vu que l'abonnement à la Télévision à Péage accessible au public prévoit un versement mensuel ou à tous les deux mois, il faut une mise en marché continue du produit. On se doit de fournir au public spectateur une marchandise commercialement rentable. Pour atteindre un tel objectif, il faut qu'il y ait eu, au préalable, présentation dans les cinémas du pays. Par ailleurs, il est indispensable que la présentation de tout événement spécial puisse vraiment attirer un auditoire. Tout abonné en puissance sera attiré par une programmation attrayante, qui inclura des films dont il a entendu parler, plutôt que des réalisations qu'il ne connaît pas du tout. Conséquemment, il faut s'assurer au départ que tout diffuseur dispose pour les téléspectateurs d'un produit qui se "vend", bien assurément. Toute mise en marché du début doit comporter des films d'un attrait positif pour le grand public. Cette affirmation est reconnue, de fait, par le C.R.T.C., qui précise ainsi sa position:

D'autre part, le Conseil reconnaît que, parce que la Télévision à Péage est encore récente, il faut donc mettre de l'avant de nouvelles idées, se livrer à des expériences inédites. Et, dans ce contexte, tout au moins aux débuts de la Télévision à Péage, il se pourrait qu'on



doive utiliser du matériel d'origine étrangère pour assurer son succès...il est évident qu'un équilibre doit être établi clairement entre l'utilisation de matière canadienne et celle venant de l'étranger, et aussi tenir compte de l'allocation de devises à des fins d'achat et de production.

Tout réseau de Télévision à Péage devrait aussi prévoir la présentation de certains "événements spéciaux", qui traitent d'ordinaire de sport et de concerts. Dans un tel contexte, un réseau de Télévision à Péage domestique pourrait offrir des programmes spéciaux à saveur canadienne. La diffusion en ondes de programmes spéciaux canadiens (tels du ballet, des concerts "rock", ainsi que des compétitions sportives non télédiffusées normalement) est d'enregistrement facile et elle fournirait au réseau un contenu canadien instantané. En outre, il en résulterait une importance nationale pour des événements de caractère régional au départ.

C. Télévision à Péage: Méthode de Diffusion

Aux Etats-Unis, la Télévision à Péage a été apportée à domicile par le truchement de cables reliés aux abonnés. Pour l'instant, ABP ne préconise pas la moindre préférence en matière d'acheminement de la part d'un réseau à péage. Cependant, on a établi, à partir de données gouvernementales, que 2,700,000 foyers canadiens sont reliés à la cablovision de TV. Il semble



donc que les sociétés de distribution du genre soient aptes à assurer la diffusion de la Télévision à Péage à même leurs lignes. Elles disposent aussi de listes d'abonnés et peuvent conséquemment offrir le produit à une clientèle déjà existante.

II. L'Entreprise Privée, Astral Bellevue Pathé Ltée et la Télévision à Péage

Astral Bellevue Pathé Ltée croit fermement au principe et à l'esprit d'initiative de l'entreprise privée à la mise sur pied et à la gestion d'un réseau de Télévision à Péage. Nous croyons que l'organisme d'Etat approprié doit établir dès le début des normes de fonctionnement qui respectent le principe de la libre concurrence. Le dit organisme s'assurera du respect de ses directives par tous et en toutes circonstances, alors que le fonctionnement de tout réseau de Télévision à Péage sera entre les mains du secteur privé. En tant que société en plein essor, connaissant un succès financier manifeste, Astral Bellevue Pathé Ltée a la conviction d'être admirablement qualifiée pour participer au lancement et à l'exploitation d'un réseau de Télévision à Péage.

A. Astral Bellevue Pathé Ltée

Astral Bellevue Pathé Ltée, dont le sigle est ABP, est une société appartenant à des intérêts canadiens et dont les actions sont offertes publiquement.



Elles ont cours à la Bourse de Montréal. Le siège social de ABP est à Toronto, avec siège administratif à Montréal. ABP possède des filiales à Winnipeg, Calgary, Saint-Jean (N.B.) et Vancouver, ainsi que des bureaux à Montréal et à Toronto.

Dès ses débuts, ABP s'est fait un apôtre du bilinguisme dans l'activité quotidienne, s'intéressant tout aussi bien au marché francophone que anglophone dans chacune de ses divisions.

Au cours de la dernière année financière, ABP a fait un chiffre d'affaire brut de \$24 millions. La croissance ininterrompue de la société pendant les onze dernières années atteste hautement de sa viabilité financière. Une copie du plus récent bilan annuel est attachée ci-après, à titre d'exhibit A. Le bilan annuel fait état des faits suivants:

1. Traitement des films et laboratoires de son

ABP est propriétaire de l'un des plus vastes laboratoires de traitement de films du Canada, situés à Montréal et Toronto. De ce fait, ABP a été en contact avec tout réalisateur cinématographique d'importance d'expression française et anglaise au Canada. ABP est également propriétaire d'un service de doublage où des versions anglaises sont traduites au français et vice versa.



2. Films de Cinéma

ABP possède et exploite Astral Films Limitée, société autonome de distribution de films et appartenant à des intérêts canadiens. Son existence date d'un demi-siècle au cours duquel elle a diffusé plus de 750 productions cinématographiques au Canada. Astral Films est la plus ancienne entreprise autonome du genre au Canada. Elle a mis en circulation entre autres réalisations canadiennes, "THE APPRENTICESHIP OF DUDDY KRAVITZ", "RECOMMENDATION FOR MERCY", "LIES MY FATHER TOLD ME", "ANOTHER SMITH FOR PARADISE", "PARTNERS", "BREAKING POINT" et "THE LITTLE GIRL WHO LIVES DOWN THE LANE".

Son personnel a fait l'acquisition de films à travers le monde pour fins de diffusion canadienne et il a vendu à l'étranger des longs-métrages de facture domestiques. Il est en rapport constant avec les principales sociétés de production et de distribution de l'univers.

3. Programmation de Télévision

ABP possède et exploite Astral Télévision Films Ltée, une société dont le but est la diffusion de longs-métrages et de films à épisodes aux stations de télévision à travers le Canada. Grâce à Astral Télévision Films Ltée,



ABP est parfaitement consciente des exigences et des propensions des postes émetteurs et des téléspectateurs. Son personnel connaît également les secrets de la présentation à la télévision "gratuite" des longs-métrages appropriés.

4. Production de Longs-Métrages

Par le truchement de sa filiale, les Industries ICL Ltée, et aussi par l'intermédiaire d'autres divisions lui appartenant et qu'elle gère, ABP a réalisé seule, en co-production et pour le compte d'autrui, plus de sept longs-métrages canadiens tournés au pays. Les Industries ICL a été en mesure d'aider des co-producteurs à réaliser leurs oeuvres à travers le Canada. De plus, sous d'autres formes, cette société a participé à plus d'une quarantaine de films dans les deux langues officielles. (Voir l'exhibit B).

Et ce n'est pas tout; ABP en agissant comme superviseur de réalisation de films canadiens d'une valeur dépassant \$20 millions a, en quelque sorte, été générateur d'emplois pour au delà de 500 techniciens et de quelque 100 interprètes. Le revenu brut de ces films diffusés universellement a dépassé les \$20 millions, après avoir été vus par des cinéphiles dans plus de 40 pays.



Des accords commerciaux lient ABP à la plupart des principaux distributeurs de films américains.

"THE LITTLE GIRL WHO LIVES DOWN THE LANE" est une co-production franco-canadienne de ABP qui prévoit maintenant la co-réalisation prochaine d'un long-métrage entre des intérêts canadiens et anglais, sous son égide.

ABP a pu financer des films qu'elle a réalisés de façon autonome, en co-gestion ou à titre d'administratrice en utilisant des capitaux de provenance étrangère. Elle a aussi obtenu des capitaux de sources financières anglaises, françaises et américaines, ainsi que d'intérêts privés en provenance des Etats-Unis. Ainsi, l'obtention de sommes à l'extérieur du Canada a permis la réalisation de films ayant une excellente chance de connaître le succès sur les marchés internationaux. Par exemple, "THE LITTLE GIRL WHO LIVES DOWN THE LANE" sera diffusé par tous les principaux marchés cinématographiques de l'univers.

B. ABP et la Programmation-TV

ABP estime que les longs-métrages constitueront une tranche importante des produits offerts aux abonnés de la Télévision à péage, au même titre que les programmes d'événements spéciaux.

Il est assuré que le public refusera d'acquitter un abonnement pour toute réalisation qui ne l'intéresse pas. Conséquemment, la qualité dite commerciale (ou de stimulation) doit faire partie intégrante d'un réseau de



diffusion à péage. Les deux éléments essentiels à la programmation sont couverts ci-après.

III. Programmation de Réseau de Télévision à Péage

A. Longs-Métrages Commerciaux

Il est connu de tous que les longs-métrages cinématographiques sont financés soit par les principaux studios de cinéma, soit par les réalisateurs indépendants. Pour les fins de ce mémoire, notre souci primordial n'a nullement trait à la capitalisation de la part des grands studios vu qu'il est rare que de tels films puissent être qualifiés d'authentiques longs-métrages canadiens. Au moment où sont rédigées ces lignes, il existe à travers le monde certaines concessions fiscales de nature à stimuler les investissements de particuliers dans le cinéma. La réglementation d'Etat est en voie de modifications constantes aux divers paliers, mais on peut assurer que les placements particuliers dans l'industrie cinématographique constituent un facteur déterminant de réalisations pour l'écran, peu importe l'aspect fiscal.

ABP coordonnait récemment la capitalisation d'un certain nombre de longs-métrages qui avaient comme sources financières des capitaux étrangers, des mises de fonds de sociétés de diffusion et des capitaux



privés canadiens, de même qu'un apport financier de la Société canadienne pour le développement de l'industrie cinématographique canadienne (SDICC). De plus, ABP a obtenu des avances contre ces productions de la part de distributeurs à travers le monde.

En faisant appel à une capitalisation de nature internationale, on assure ainsi le gouvernement canadien des possibilités de rentabilité universelle. La bonne volonté du gouvernement d'Ottawa sur ce point se manifeste du fait que des accords de co-production sont intervenus avec la Grande-Bretagne, la France et l'Italie.

B. Programation "Événements Spéciaux"

A l'heure actuelle, plusieurs événements spéciaux canadiens ne sont pas télédiffusés par les réseaux, ce qui prive l'ensemble du marché global domestique. ABP est persuadée qu'il existe un marché ferme pour la présentation d'une foule d'activités spéciales canadiennes comme des concerts, des spectacles de ballet, ainsi que des rencontres sportives canadiennes et étrangères. La présentation sur les ondes de la Télévision à Péage de telles télémissions ajouterait au cachet d'identité canadienne et de culture nationale dans toutes les régions du pays.



Egalement, grâce à la Télévision à Péage, diffusant sur un réseau national à l'échelle du Canada tout entier, il serait possible de présenter le célèbre Stampede de Calgary, le Festival Shaw, la saison théâtrale de Stratford (Ontario), le Festival de "country music" des provinces atlantiques et la troupe de ballet de Winnipeg, qui se prêtent tous à une programmation d'envergure véritablement canadienne. Le versement de sommes aux producteurs de ces événements spéciaux assurerait la viabilité financière de leurs oeuvres et contribuerait également à rehausser la fierté culturelle de la nation entière. Rappelons que le gouvernement fédéral consacre de forts montants sous forme d'octrois versés à certains réalisateurs de longs-métrages commerciaux et d'événements spéciaux.

IV. Comment ABP Conçoit le Fonctionnement d'un Réseau de Télévision à Péage

ABP s'intéresse à la création d'une entreprise qui verrait à coordonner tous les aspects de la structuration et du fonctionnement d'un réseau de Télévision à Péage.

A. La Mise en Place

Le C.R.T.C. atteste du fait qu'il y a environ 2,700,000 foyers à travers le Canada souscrivant à la



cablovision. Dans une étude du marché, réalisée par cette industrie des communications, tel que présentée au C.R.T.C., il ressort que 30 pour cent des abonnés canadiens du cable constitueraient le noyau des bénéficiaires de la Télévision à Péage. ABP suggère que l'organisme d'Etat approprié, chargé de l'émission des permis, détermine le montant des frais d'installation devant être assumés par les abonnés. Dans le même ordre d'idée, l'organisme gouvernemental désigné devrait se procurer tous les faits se rapportant à l'équipement requis et vu que cet agent de l'Etat disposerait de droits de regard étendus, il est logique de s'attendre qu'il devienne un actionnaire de l'entreprise ayant un caractère de consortium de la cablovision. Sans connaître toutes les données du problème, il est impossible d'avancer le moindre chiffre touchant à la capitalisation de l'entreprise proposée.

B. La Gestion

L'équipe de gérance devrait connaître tous les aspects de l'acquisition de profuits destinés à la télédiffusion et pouvoir aussi régler les frais de production. Les dirigeants se recruteraient parmi des gens possédant de vastes connaissances, surtout d'aspect



créateur, en matière de réalisation de longs-métrages. Il serait également du ressort de ces spécialistes de décider de quelle façon investir des capitaux dans des productions canadiennes.

En ce qui touche aux mises de fonds dans des productions canadiennes, la gérance déterminerait la nature exacte de sa participation, posant toujours son choix sur la possibilité de rentabilité à l'échelle internationale du cinéma. Les dirigeants verraient également à analyser tous les aspects d'un projet cinématographique soumis par un producteur autonome canadien. La gérance du réseau s'intéresserait constamment aux aspects financiers des longs-métrages de facture canadienne.

C. Développement de Programation

ABP est entièrement d'accord avec l'attitude du gouvernement fédéral, à savoir que le groupement auquel on accorderait le permis d'exploitation du réseau de Télévision à Péage devrait investir un pourcentage de son volume des ventes brutes, obtenu à même les redevances des abonnés, dans la production de longs-métrages canadiens et "d'événements spéciaux". Le chiffre de 15 pour cent a été avancé et il semble raisonnable. Toutefois, compte tenu de l'objectif précis de la part de l'Etat



que l'avènement d'un réseau de Télévision à Péage serve à stimuler le tournage de longs-métrages canadiens, ABP estime que le réseau de Télévision à Péage ne doit pas demeurer le seul investisseur dans un long-métrage domestique. Si ce principe est admis, il faudrait prévoir la participation d'un réseau de distribution cinématographique, également canadien. De la sorte, les distributeurs en étant impliqués financièrement auraient tout intérêt à voir à ce que les productions mises sur le marché soient définitivement rentables. Une telle politique ne pourrait que profiter à l'industrie canadienne du cinéma, vu que ceux qui s'y greffent devraient participer au mouvement commun.

La gérance serait appelée à évaluer tout projet des producteurs anglophones et francophones. ABP, comme on le sait, est profondément engagé dans la promotion de tournage de films dans les deux langues officielles. Elle suggère, de plus, que les films présentés sur les ondes du réseau de Télévision à Péage le soient tout aussi bien en français qu'en anglais.

De quelle façon cette ébauche de projet de gestion et de propriété affecte-t-elle les producteurs de films canadiens? Le réseau de Télévision à Péage agirait simplement comme une autre source de financement de toute



réalisation cinématographique de longs-métrages, dont la rentabilité commerciale apparaît comme engageante.

ABP abonde dans les vues exprimées par plusieurs personnalités de l'industrie cinématographique canadienne à l'effet qu'il serait préférable du point de vue culturel que seules des réalisations canadiennes soient présentées à la Télévision à Péage, dans le domaine des longs-métrages.

Cependant, il est indispensable que pour le bien-être prolongé de l'industrie canadienne du film que le réseau de Télévision à Péage connaisse la réussite financière, ce qui sera possible en autant qu'il pourra offrir un produit de nature à lui gagner la faveur du public téléspectateur. Il est une autre considération primordiale qui s'impose, à savoir que l'organisme d'Etat attribuant le permis d'exploitation exige formellement qu'un pourcentage bien spécifié de l'ensemble du contenu de télédiffusion soit d'origine canadienne. De la sorte, les longs-métrages de facture domestique constitueront un actif financier appréciable. En conclusion, le pourcentage de projection d'oeuvres cinématographiques canadiennes s'accroîtrait au fur et à mesure que plus de films réalisés au Canada seraient disponibles.



V. Sommaire

L'avènement de la Télévision à Péage constitue le progrès le plus manifeste dans le domaine du divertissement au Canada pendant la dernière décennie. Sa venue favorisera certes la naissance d'innombrables occasions propices à l'éclosion d'une excellente programmation de télévision, en plus de laisser présager un succès accru des longs-métrages réalisés chez nous par les nôtres.

ABP fait savoir par la présente qu'elle est disposée et soucieuse de participer à part égale à la mise sur pied et à la gestion d'un réseau de Télévision à Péage. En égard à sa vaste expérience dans ce domaine, ABP estime qu'elle occupe une position très avantageuse pour devenir le point d'appui de la gérance du réseau projeté. ABP est persuadée de la possibilité de développement d'un réseau de Télévision à Péage viable dont tous sont convaincus de la nécessité du point de vue culturel. En vue de réaliser de tels objectifs et bien d'autres, ABP n'hésite nullement à offrir et utiliser ses nombreuses ressources.



Exhibit A

Bilan Annuel 1976 de Astral Bellevue Pathé Ltée



Exhibit B

The Neptune Factor
Slipstream
Echoes of A Summer
U-Turn
Another Smith for Paradise
Breaking Point
The Little Girl Who Lives Down The Lane
Rituals
Recommendation for Mercy
Mustang
Bingo
Je suis Loin de Toi Mignonne
Lies My Father Told Me
Les Aventures d'Une Jeune Veuve
La Vraie Nature de Bernadette
Montreal Main
Parlez-Nous d'Amour
The Apprenticeship of Duddy Kravitz
Quelques Arpents de Neige

Rapporto Annuale 1976



ITALIA 1976 *Il*

Faits Financiers Saillants	1976	1975	1974
Ventes	\$23,983,000	\$22,386,000	\$18,524,000
Bénéfices avant impôts sur le revenu	1,535,000	1,385,000	913,000
Impôts sur le revenu	683,000	694,000	423,000
Bénéfices avant articles extraordinaires	852,000	691,000	490,000
Articles extraordinaires	26,000	201,000	357,000
Bénéfices nets	878,000	892,000	847,000
Fonds de roulement	1,392,000	1,366,000	732,000
Avoir des actionnaires	5,437,000	4,740,000	3,881,000
Par action			
Bénéfices avant articles extraordinaires	30.3 cents	24.5 cents	17.5 cents
Bénéfices	31.3 cents	31.7 cents	30.4 cents
Avoir des actionnaires	1.85	1.60	1.28



LE MESSAGE DU PRÉSIDENT

Le bilan consolidé pour l'année financière 1976 est fort réconfortant, malgré des fluctuations économiques et diverses tendances variables au sein des industries dont nous faisons partie.

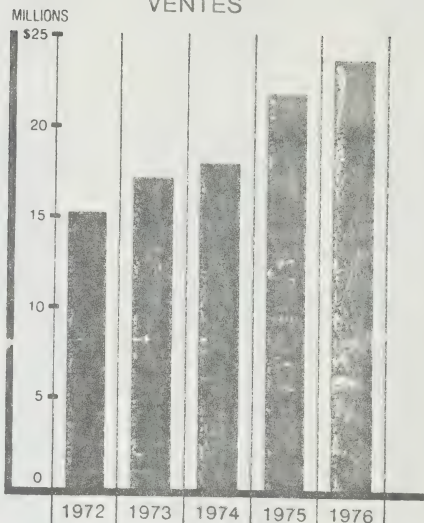
Il y a eu progression générale des ventes de 7%, pour atteindre près de \$24 millions. Les bénéfices avant articles extraordinaires ont avancé de 23% à \$852,000, ce qui équivaut à 30,3 cents par action ordinaire par rapport à 24,5 cents l'année financière précédente, compte tenu des dividendes privilégiés.

L'exploitation a donné lieu à des fonds autogénérés de \$1,445,000. La somme a été ainsi répartie: \$780,000 pour l'acquisition d'un actif immobilisé, \$469,000 pour le rappel d'une dette à long terme et \$165,000 au versement de dividendes sur actions ordinaires, à raison de deux versements semi-annuels de 3 cents chacun pour la première année des dits versements. On note aussi une amélioration du fonds de roulement.

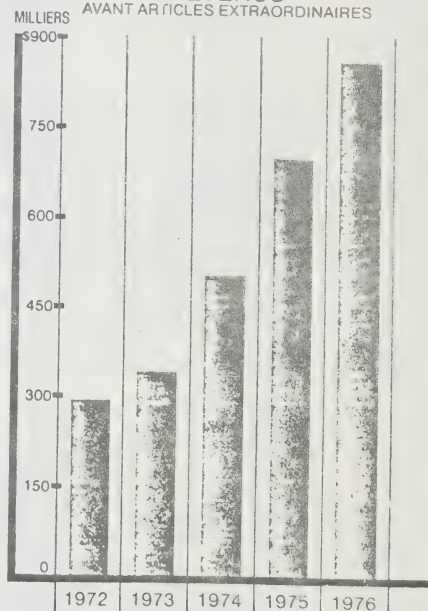
Pour la première fois, cette année, les graphiques démontrent l'importance, en terme de recettes, de nos quatre filiales. En général, celles de la finition de photos, du traitement des films de cinéma et du détail démontrent un accroissement de recettes par rapport à 1975. Quant à la filiale de distribution de films, elle accuse un recul financier reflétant une baisse substantielle de grands succès de l'écran dans les salles de cinéma. Des indications plus élaborées sur le fonctionnement des dites filiales apparaissent ailleurs dans ce rapport annuel.

Une percée d'importance de la société s'est manifestée au chapitre des accords relatifs à la distribution de films. Tel que signalé antérieurement, Astral Films devenait, le 1er janvier 1976 le distributeur exclusif canadien de Avco-Embassy Pictures Corporation. Il est à prévoir que les réalisations de cet important studio raffermiront notre prestige. De plus, en raison d'une clarification et d'un adoucissement de la législation touchant aux investissements canadiens dans l'industrie cinématographique, votre société assume dès maintenant un rôle prépondérant de nature à promouvoir la réalisation au pays de longs-métrages destinés aux

VENTES



REVENUS AVANT ARTICLES EXTRAORDINAIRES



LE MESSAGE DU PRÉSIDENT (Suite)

marchés internationaux. Nos fonctions comprennent, entre autres, l'aide au choix des scénarios appropriés, le financement par des tiers, la responsabilité de surveillance du contrôle des déboursés, la transformation des pellicules en laboratoire et la distribution domestique par nos bureaux. En raison d'une participation antérieure sur une faible échelle dans ce domaine, nous nous intéressons vivement aux possibilités de rentabilité future dans ce domaine. La nature exacte de ces activités est précisée dans les pages qui suivent.

La compagnie est sujette aux règlements touchant à la lutte contre l'inflation qui l'obligent à se soumettre aux directives fédérales en matière de gestion. Nous ne prévoyons cependant aucun obstacle de nature à paralyser ou entraver nos efforts concurrentiels sur les divers marchés. De pair avec d'autres sociétés autonomes, nous souhaitons un retour prochain à un climat plus propice à la prise de décisions avec un minimum de règlements arbitraires qui n'affectent qu'un faible secteur de l'activité rationale.

Dans nos prévisions budgétaires de l'année qui s'annonce, nous avons pris les dispositions compatibles avec un relèvement graduel de la situation économique. Cependant, l'inflation persistante continue d'exercer des pressions sur la marge des bénéfices. Mais, en nous basant sur les tendances de l'heure, nous prévoyons une nouvelle poussée des ventes et une hausse de bénéfices parallèle au cours de l'année financière de 1977.

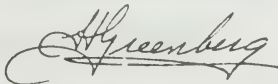
Une offre d'achat de notre immeuble sur le chemin Davenport, à Toronto, était formulée et acceptée en avril 1976. Nous nous occupons de déménager les bureaux de distribution et les autres facilités dans des locaux plus vastes.

Au cours de l'année dernière, il nous a fait plaisir d'accueillir M. Vern Furber à titre de président de Astral Television Films, ainsi que M. Jack Cockwell, qui est devenu directeur de notre société.

Le dévouement et l'attachement au travail du personnel comme des cadres, l'appui des fournisseurs et la loyauté de la clientèle sont autant de facteurs qui contribuent au succès de toute entreprise.

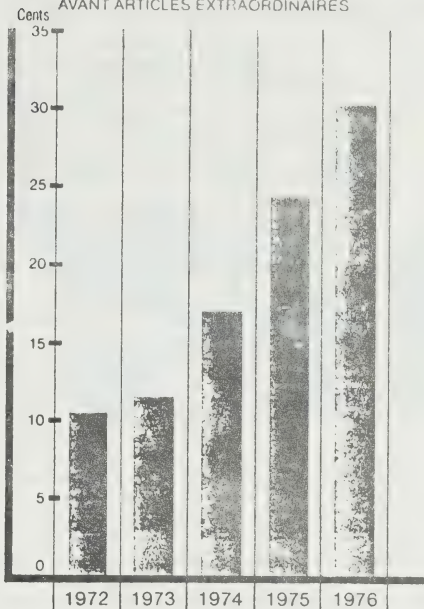
Il me fait plaisir par la présente de transmettre mes remerciements à tous ceux et celles qui nous ont aidés et nous ont permis d'obtenir ces excellents résultats.

Sincèrement,

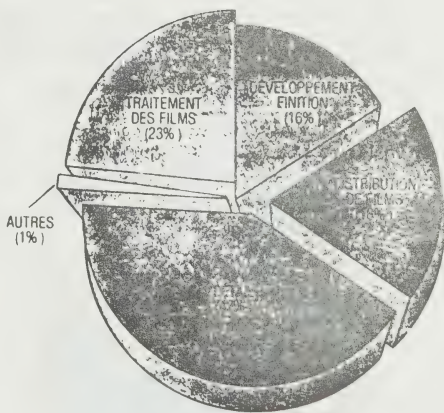


Harold Greenberg,
président

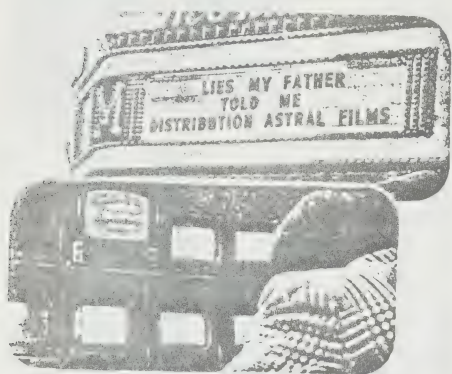
REVENUS PAR ACTION AVANT ARTICLES EXTRAORDINAIRES



VENTES



LA DISTRIBUTION DE FILMS



Le fait saillant de l'année dans le monde de la distribution de films a été le choix de ASTRAL FILMS comme distributeur canadien exclusif de AVCO-EMBASSY PICTURES CORPORATION, ce qui comprend aussi la distribution de productions de ITC PICTURES de Grande-Bretagne.

Parmi les titres dont la mise en marché est prévue pour bientôt, citons VOYAGE OF THE DAMNED, THE CASSANDRA CROSSING et THE DOMINO PRINCIPLE, qui ont tous coûté plusieurs millions de dollars. De plus, ASTRAL FILMS continue d'assurer exclusivement la distribution sur le marché domestique des films de J. ARTHUR RANK et de BRYANSTON PICTURES. La société a aussi prolongé jusqu'à mai 1978 son accord de service avec COLUMBIA PICTURES.

Notons en passant que parmi les plus grands succès de l'écran diffusés cette année, on relevait les noms de deux réalisations canadiennes, soit LIES-MY FATHER TOLD ME et RECOMMENDATION FOR MERCY. Nous avons également vu à la diffusion de deux importantes réalisations étrangères, à savoir, SWEEP AWAY et SEVEN BEAUTIES.

Le résultat de la distribution cinématographique, même s'il y a eu rentabilité, a été moins que satisfaisant l'année dernière. En raison de notre récent accord avec AVCO-EMBASSY, d'une activité accrue avec nos associés de vieille date et de notre implication directe dans la réalisation

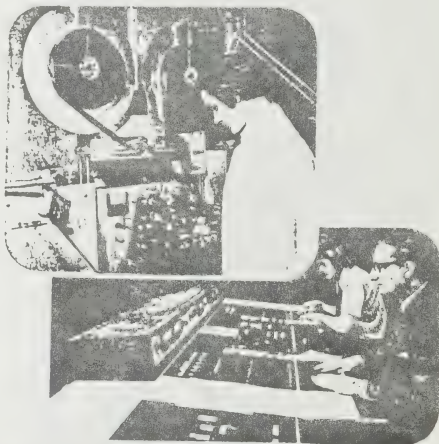
de films canadiens, il en résultera la mise sur le marché d'un plus grand nombre de longs-métrages d'importance au cours de la prochaine année. Partant, nous envisageons une amélioration sensible du rendement de cette filiale.

Au chapitre de la distribution de films de TV, on note une progression ferme de l'accroissement de la recette. Engagée activement à la recherche de nouvelles acquisitions, cette filiale se portait acquéreur récemment des droits exclusifs de la cinéthèque HAROLD LLOYD auprès de TIME-LIFE, en plus de s'assurer l'exclusivité des droits de TV canadiens pour les productions AVCO-EMBASSY.

Nous croyons que la récente décision d'Ottawa d'enrayer le flot de la publicité commerciale aux postes de TV américains limitrophes du Canada devrait provoquer une réaction qui favorisera l'essor de l'industrie domestique de la télévision et, du même coup, rendre nos services encore plus indispensables.

Nous pouvons donc envisager avec confiance l'avenir de la filiale chargée de la distribution de films.

DIVISION DU TRAITEMENT DES FILMS



Cette filiale offre un service complet de laboratoire, qu'il s'agisse de post-production ou de

son, aux cinéastes professionnels grâce à ses vastes laboratoires situés à Montréal et Toronto, qui sont les plus importants du genre au Canada.

Le laboratoire de Montréal demeure le principal facteur du marché québécois de la transformation des films de cinéma. Une demande accrue de ses services a entraîné l'agrandissement des facilités de traitement de même que l'aménagement d'un studio de son supplémentaire.

En réponse aux exigences du marché francophone, notre société a mis sur pied un service intégral de doublage qui touche tant au doublage depuis le scénario jusqu'au découpage final. Cette initiative a été populaire dès le début et elle augure naturellement fort bien pour l'avenir.

Sur le marché très compétitif de Toronto, un programme a été mis en marche afin d'augmenter l'efficacité générale et d'améliorer les services à la clientèle. Certaines des principales facilités de production au laboratoire sont désormais disponibles dans le centre-ville, dans l'immeuble abritant le studio de son.

La production de longs-métrages à Toronto marque toujours le pas, malgré que le travail d'impression de copies de films demeure une source de recettes appréciable. On note aussi un accroissement des travaux contractuels se rapportant aux films en Super 8mm., qui ne se déroulent qu'à Toronto.

DIVISION DU DÉTAIL



Une pénétration marquante du marché de la part des magasins de la chaîne Miracle Mart de Steinberg a eu un résultat des plus encourageants du point de vue ventes au sein de nos concessions de caméras. Après avoir fermé trois

succursales en ces dernières années, Miracle Mart inaugurera bientôt un établissement à Jonquière, tandis que d'autres sont au stade de planification.

On dénombre maintenant onze succursales de MONTREAL PHOTO, grâce à un esprit d'initiative poussé. Un deuxième établissement était inauguré dernièrement à Québec, un au centre commercial Fairview, en banlieue montréalaise, un au Complexe Desjardins, un au centre Galeries d'Anjou, et un à Sherbrooke. Quatre autres succursales doivent être ouvertes au cours de l'année financière 1977, dont deux dans la région d'Ottawa et deux à Toronto, dont l'un sera dans le nouvel immeuble de la Banque Royale et l'autre, dans le complexe Eaton, en vue d'une pénétration approfondie du marché de l'Ontario.

Question de mieux identifier notre image commerciale et en parallèle avec notre pénétration dans cette partie du Canada, nos établissements photographiques au détail seront connus sous l'appellation de ASTRAL PHOTO. La politique de mise en marché demeurera la même, c'est-à-dire de bien desservir le photographe sérieux comme l'amateur au moyen d'une gamme variée de produits et d'équipement photographique.

IMAGE, qui est l'appellation de notre marque particulière, remporte un vif succès, qu'il s'agisse de lentilles, de filtres, de lampes-éclair ou de trépieds. La présence de tels produits protège notre entière filiale des ventes au détail contre les impondérables du marché de l'heure tout en nous permettant d'offrir des articles de qualité à prix raisonnables.

DIVISION DU DÉVELOPPEMENT-FINITION



Le rendement accru de notre équipement moderne et nos techniques de ventes

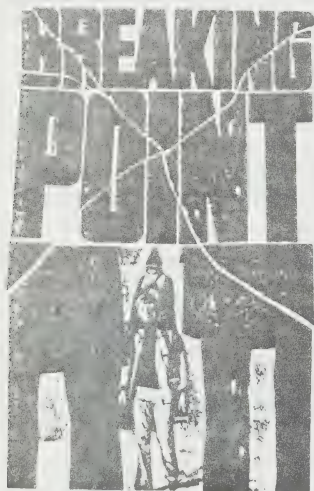
dynamiques constituent les clés du succès de cette filiale.

Des démarches incessantes sont faites en vue d'améliorer le volume d'affaires de développement-finition. Cette année, nous avons négocié avec une importante chaîne de magasins effectuant ses ventes par catalogue afin qu'un nombre appréciable de nos enveloppes par retour de courrier soient encartées dans le dit catalogue. On note aussi un accroissement sensible des ventes du spécial BPI (vente et développement-impression de films Bellevue) par lequel les clients réalisent une économie substantielle, la vente de pellicules Kodak étant reliée au processus de photo-finition dans nos laboratoires.

Des campagnes publicitaires ont été menées au cours de la dernière année avec le club des Canadiens et celui des Expos de Montréal, l'Exposition nationale de Toronto et la chaîne de restaurants McDonald à Montréal et Toronto.

La formule technique dite Post-A-Photo, qui transforme une photo ordinaire en carte postale, a prouvé sa popularité auprès de notre clientèle et tout laisse croire que l'avenir lui appartient.

LES ACTIVITÉS CINÉMATOGRAPHIQUES



Astral Bellevue Pathé
Co-Production, 20th Century Fox

Par le truchement de sa filiale, LES INDUSTRIES I.C.L. LIMITÉE, la société a participé activement

aux multiples aspects entourant la réalisation de films à long métrage. Elle s'est occupée, entre autre, du choix de scénarios appropriés, des détails de financement, du contrôle des budgets et d'autres tâches connexes.

Cette implication dans la production cinématographique accroît de la sorte nos chances de décrocher un volume d'affaires supplémentaire pour la filiale du traitement des films de cinéma et d'améliorer le chiffre d'affaires de notre réseau de distribution.

Au cours de la dernière année, LES INDUSTRIES I.C.L. LIMITÉE, a figuré comme co-producteur de deux longs-métrages. "BREAKING POINT" a été terminé conjointement avec les studios 20th Century-Fox. Sa distribution mondiale débutait en juin 1976. "THE LITTLE GIRL WHO LIVES DOWN THE LANE", également parachevé récemment et en coproduction avec Zev Braun Productions, devrait être mis sur le marché dès cet automne.

La société s'apprête également à mettre en chantier plusieurs longs-métrages, y compris deux en coproduction avec 20th Century-Fox, deux films d'aventure canadiens devant être tournés cet été, dont un avec les studios J. Arthur Rank et une réalisation musicale coûtant plusieurs millions.

Nous saluons bien haut la récente décision d'Ottawa d'alléger l'imposition fiscale ayant trait aux investissements cinématographiques par des Canadiens. Cette nouvelle législation permettra aux tiers intéressés de participer financièrement aux activités des INDUSTRIES I.C.L. dont le but est de stimuler la réalisation de productions canadiennes destinées au marché mondial.


Bilan consolidé au 28 février, 1976

ACTIF

	1976	1975
À COURT TERME		
Comptes à recevoir	\$ 3,159,629	\$ 2,566,599
Stocks (Note 1)	3,826,845	3,662,242
Avances sur redevances et frais de film reportés	616,248	496,215
Frais payés d'avance et reportés	133,868	145,305
	<u>7,736,590</u>	<u>6,870,361</u>
AUTRES		
Solde de ventes à recevoir	327,024	310,894
Intérêt dans et prêts à des sociétés en participation par actions.	106,050	89,135
	<u>433,074</u>	<u>400,029</u>
PROPRIÉTÉ, ÉQUIPEMENT ET AMÉLIORATIONS (Note 2)	3,117,641	2,905,230
EXCÉDENT DU COÛT DES FILIALES SUR LA VALEUR AUX LIVRES DES ACTIFS ACQUIS	1,546,353	1,546,353
	<u>\$12,833,658</u>	<u>\$11,721,973</u>

AU NOM DU CONSEIL D'ADMINISTRATION


Administrateur


Administrateur

PASSIF

	1976	1975
A COURT TERME		
Dette envers la banque (Note 3)	\$ 1,914,346	\$ 1,161,880
Comptes à payer et frais courus	3,019,178	2,928,732
Impôts sur le revenu à payer	294,546	236,322
Impôts sur le revenu reportés	513,567	510,786
Dette à long terme échéant à moins d'un an	602,493	667,075
	<u>6,344,130</u>	<u>5,504,795</u>
DETTE À LONG TERME (Note 4)	677,988	1,146,558
IMPÔTS SUR LE REVENU REPORTÉS	<u>374,475</u>	<u>330,276</u>

AVOIR DES ACTIONNAIRES

CAPITAL-ACTIONS (Note 5)	3,598,854	3,598,854
BÉNÉFICES NON RÉPARTIS	1,838,211	1,141,490
	<u>5,437,065</u>	<u>4,740,344</u>
	<u>\$12,833,658</u>	<u>\$11,721,973</u>

État consolidé des bénéfices

Pour l'année terminée le 28 février, 1976

	1976	1975
REVENU BRUT	\$23,982,640	\$22,386,134
DÉPENSES		
Coût des ventes	16,104,459	15,226,277
Vente et administration	5,578,132	4,965,334
Intérêt sur la dette à long terme	93,244	133,935
Autres intérêts	103,479	181,314
Amortissement des immobilisations	567,743	494,371
	<u>22,447,057</u>	<u>21,001,231</u>
BÉNÉFICE AVANT IMPÔTS SUR LE REVENU ET ARTICLES EXTRAORDINAIRES	1,535,583	1,384,903
Provision pour impôts sur le revenu	683,307	694,145
BÉNÉFICE AVANT ARTICLES EXTRAORDINAIRES	852,276	690,758
Articles extraordinaires (Note 6)	26,192	201,011
	<u>\$ 878,468</u>	<u>\$ 891,769</u>
BÉNÉFICE NET		
PAR ACTION		
Bénéfice avant articles extraordinaires	30.3 cents	24.5 cents
Bénéfice net	31.3 cents	31.7 cents

État consolidé des bénéfices non répartis

Pour l'année terminée le 28 février, 1976

	1976	1975
SOLDE - DÉBUT DE LA PÉRIODE	\$ 1,141,490	\$ 265,971
Bénéfice Net	878,468	891,769
	<u>2,019,958</u>	<u>1,157,740</u>
Dividendes sur actions privilégiées	16,250	16,250
Dividendes sur actions ordinaires	165,497	—
	<u>181,747</u>	<u>16,250</u>
SOLDE - FIN DE LA PÉRIODE	<u>\$ 1,838,211</u>	<u>\$ 1,141,490</u>

État consolidé des changements dans l'état financier

Pour l'année terminée le 28 février, 1976

	1976	1975
SOURCES DES FONDS		
Bénéfice avant articles extraordinaires	\$ 852,276	\$ 690,758
Amortissement des immobilisations	567,743	494,371
Impôts sur le revenu reportés	44,199	121,992
	<u>1,464,218</u>	<u>1,307,121</u>
Portion du bénéfice des sociétés en participation par actions	18,915	31,401
Fonds provenant des exploitations	1,445,303	1,275,720
Réduction des soldes de vente à recevoir	87,870	—
Réduction de l'intérêt dans et des prêts à des sociétés en participation par actions	2,000	87,105
Produit de la vente d'immobilisations (moins dette à long terme et solde de vente à recevoir qui y sont applicables)	—	472,161
Réduction de l'impôt sur le revenu dérivant de l'application des pertes des périodes précédentes	26,192	82,531
	<u>1,561,365</u>	<u>1,917,517</u>
EMPLOI DES FONDS		
Soldes de vente à recevoir	104,000	—
Additions aux immobilisations	780,154	683,579
Remboursement de dette à long terme	468,570	568,177
Achat d'actions ordinaires	—	16,404
Dividendes sur actions privilégiées	16,250	16,250
Dividendes sur actions ordinaires	165,497	—
	<u>1,534,471</u>	<u>1,284,410</u>
AUGMENTATION DES FONDS DE ROULEMENT	26,894	633,107
FONDS DE ROULEMENT - DÉBUT DE L'ANNÉE	<u>1,365,566</u>	<u>732,459</u>
FONDS DE ROULEMENT - FIN DE L'ANNÉE	<u>\$ 1,392,460</u>	<u>\$ 1,365,566</u>

Notes aux États Financiers Consolidés au 28 février, 1976

1. SOMMAIRE DES POLITIQUES DE COMPTABILITÉ SIGNIFICATIVES

a) Principes de consolidation:

Les états financiers consolidés comprennent les comptes de toutes les filiales. Les placements dans les sociétés en participation par actions sont comptabilisés à la valeur de consolidation.

b) Stocks:

Les stocks comprennent l'achat et les frais de production non-amortis de films s'élevant à \$902,552. Les achats de films pour des périodes spécifiques ou à perpétuité sont amortis sur une base pondérée allant de six à quinze ans. Les films produits ou en co-production sont amortis sur la base des revenus reçus pour chaque production.

Tous les autres stocks sont évalués au moindre du prix coûtant ou de la valeur nette de réalisation.

c) Avances sur redevances et frais de film reportés:

Ces frais représentent la partie non-recouvrée des montants dépensés pour l'acquisition de films selon les contrats de distribution. Aucun revenu n'est comptabilisé pour ces films tant que tous les coûts s'y rattachant n'ont pas été recouverts.

d) Propriété, équipement et améliorations:

Les propriétés, l'équipement et les améliorations sont amortis sur l'estimation de leur vie utile.

e) Reconnaissance de revenu:

Le revenu de la distribution de films est reconnu comme versements échus dans la méthode de facturation.

2. PROPRIÉTÉ, ÉQUIPEMENT ET AMÉLIORATIONS

Les propriétés, équipement et améliorations sont indiqués au prix coûtant moins l'amortissement accumulé de \$3,719,896 (1975 - \$3,268,915.)

3. DETTE ENVERS LA BANQUE

La dette envers la banque est garantie par des cessions générales enregistrées des comptes à recevoir et par une obligation de fournir à la banque une débiteure à frais flottants et/ou fixes sur certains actifs

4. DETTE À LONG TERME

Obligations Série A garanties par un premier nantissement sur certains actifs, portant intérêt au taux de 10% l'an, et remboursables en versements trimestriels de capital et intérêts jusqu'au 1er octobre, 1977 \$ 50,000

Obligations Série B garanties par un second nantissement sur certains actifs, portant intérêt au taux de 9% l'an, et remboursables en versements trimestriels de capital et intérêts jusqu'au 25 août, 1978..... 499,856

Obligations à revenus Série C garanties par un troisième nantissement sur certains actifs, portant intérêt au taux de 8% l'an payables seulement sur le bénéfice annuel après impôts excédant \$1 million et remboursables sur une période allant jusqu'au 25 août, 1981 . . . 270,000

Hypothèques et autres prêts, dont certains sont garantis par l'actif immobilisé et portant intérêt à des taux variés. 460,625
\$1,280,481

Les remboursements de capital sont dus comme suit:

Exercice terminé le		
26 février, 1977	\$	602,493
Exercice terminé le		
25 février, 1978	\$	416,276
Exercice terminé le		
24 février, 1979		210,100
Après le 24 février, 1979		51,612
		<u>677,988</u>

5. CAPITAL-ACTIONS

Autorisé —		
32,500 Actions privilégiées, 5% non-cumulatif, d'une valeur nominale de \$10		
5,000,000 Actions ordinaires sans valeur nominale		
Emis et payé —		
32,500 Actions privilégiées	\$	325,000
2,758,283 Actions ordinaires (moins 11,717 actions détenues par la trésorerie)		3,273,854
		<u>\$3,598,854</u>

Les actions privilégiées possèdent dix droits de vote chacune et sont convertibles à raison de deux actions ordinaires pour chaque action privilégiée.

Une option d'achat d'actions est en circulation pour l'achat de 60,000 actions ordinaires, ou toute partie d'icelles, à \$3.00 l'action se terminant le 1er septembre, 1976.

6. ARTICLES EXTRAORDINAIRES

Les articles extraordinaires sont:	1976	1975
Gain sur la vente de théâtres (moins les impôts sur le revenu reportés de \$24,059 qui y sont applicables)	—	\$ 274,430

Amortissement de l'intérêt dans et prêt à une société en participation par actions	—	(155,950)
Reductions des impôts sur le revenu dérivant de l'application des pertes des périodes précédentes	\$ 26,192	82,531
	<u>\$ 26,192</u>	<u>\$ 201,011</u>

7. ENGAGEMENTS DE BAUX

Le loyer minimum annuel à payer durant les cinq prochaines années selon les baux à long terme, à l'exclusion des montants additionnels basés sur les ventes, se chiffrent approximativement comme suit:

1977	\$ 427,000
1978	323,000
1979	246,000
1980	135,000
1981	97,000

8. PASSIF ÉVENTUEL

La Compagnie est conjointement et solidairement responsable pour des prêts totalisant \$322,000 contractés par une société en participation par actions. La partie de ces prêts reliée directement à la Compagnie est de \$64,400.

9. IMPÔTS SUR LE REVENU

Certaines filiales de la Compagnie possèdent des pertes pour impôts se chiffrant approximativement à \$83,000 et pouvant être appliquées contre le bénéfice des années à venir. Les avantages d'impôts relatifs à ces pertes sont disponibles de 1977 à 1980.

10. LA LOI CONTRE L'INFLATION

La Compagnie est sujette à la Loi contre l'inflation qui prévoit, à partir du 14 octobre, 1975, la contrainte des marges de profits, prix, dividendes et salaires. À l'avis de la direction, la Compagnie s'est conformée aux dispositions de la Loi au cours de son année terminée le 28 février, 1976.

En vertu des règlements actuels, les dividendes maximum que la Compagnie peut déclarer ou payer en vertu de son capital-actions durant les douze mois terminés le 13 octobre, 1976 sont comme suit:

Sur actions privilégiées — 50 cents l'action
Sur actions ordinaires — 7.5 cents l'action

11. RÉMUNÉRATION DES ADMINISTRATEURS ET DIRIGEANTS

Le total de la rémunération directe payée par la Compagnie à ses administrateurs et dirigeants (dont il y en a dix) au cours de l'année terminée le 28 février, 1976 se chiffre approximativement à \$367,000.

RAPPORT DES VÉRIFICATEURS AUX ACTIONNAIRES

Nous avons examiné le bilan consolidé de la compagnie Astral Bellevue Pathé Limited au 28 février, 1976 ainsi que l'état consolidé des bénéfices non répartis, l'état consolidé des bénéfices et l'état consolidé de l'évolution de la situation financière pour l'exercice terminé à cette date. Notre examen a comporté une revue générale des procédés comptables ainsi que les sondages des registres comptables et autres preuves à l'appui que nous avons jugés nécessaires dans les circonstances.

À notre avis, ces états financiers présentent fidèlement la situation financière de la compagnie au 28 février, 1976 ainsi que les résultats de leur exploitation et de l'évolution de leur situation financière pour l'exercice terminé à cette date, conformément aux principes comptables généralement reconnus, lesquels ont été appliqués de la même manière qu'au cours de la période précédente.

Zittler, Siblin, Stein, Levine & Cie

Comptables Agréés

Montreal, Quebec
Le 19 mai, 1976

Corporate Officers Dirigeants de la Compagnie

Harold Greenberg — President & Chief Executive Officer
— Président du conseil d'administration
Ian Greenberg — Vice-president and Treasurer
— Vice-président et trésorier
J. Trevor Eyton — Secretary
— Secrétaire
Allan W. Hitelman — Controller
— Contrôleur

Subsidiaries and Divisions Filiales et Divisions

DISTRIBUTION

ASTRAL FILMS LTD.

Michael Stevenson,
President Président

ASTRAL TELEVISION FILMS LTD.

W. Vern Furber
President Président

MOTION PICTURE PROCESSING/ TRAITEMENT DE FILMS

BELLEVUE PATHÉ LABORATORIES (ONTARIO)

Murray Fallen,
General Manager/Gérant général

Joseph Grimaldi,
Vice-President, Sound Services
Vice-président des services sonores

BELLEVUE PATHÉ (1972) LTD.

André Collette,
Vice-President Vice-président

PHOTOFINISHING

DÉVELOPPEMENT ET FINITION

BELLEVUE PHOTO LABS (MONTREAL)

Léo Levy,
General Manager/Gérant général

BELLEVUE PHOTOGRAPHIC LTD. (TORONTO)

Sidney Greenberg,
President Président

RETAIL/DÉTAIL:

ANGREEN PHOTO INC.

Ian Greenberg,
President Président

MONTREAL PHOTOGRAPHIC CENTRE LTD.

Harvey Greenberg,
President Président

Auditors Vérificateurs

Zittler, Sibling, Stein, Levine & Co.
Montréal — Toronto

Corporate Counsel Conseillers juridiques

Tory, Tory, DesLauriers & Binnington
Toronto

Rosenfeld, Schwartz, Malcolmson, Lampkin
& Levine, Toronto

Liberman, Segall & Finkelberg, Montreal

Bank Banque

The Royal Bank Of Canada
La Banque Royale du Canada

Listing Inscription

Montreal Stock Exchange
La Bourse de Montréal

Transfer Agent and Registrar Agent de transport et registraire

Canada Permanent Trust Co.
Montreal, Toronto, Winnipeg, Regina,
Calgary and Vancouver.

La Compagnie de Fiducie Canada Permanent
Montréal, Toronto, Winnipeg, Régina,
Calgary et Vancouver.



Harold Greenberg



Ian Greenberg



Sidney Greenberg



Edward M. Bronfman



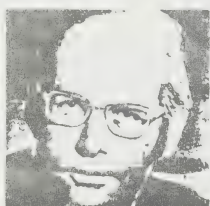
Harvey Greenberg



Austin C. Beutel



Jack L. Cockwell



J. Trevor Eyton



John L. Liberman



D. Miles Price



ASTRAL BELLEVUE *Pathé*
190 / 1911

HEAD OFFICE - SIÈGE SOCIAL
224 Davenport Road, Toronto, Ontario, M5R 1J7

EXECUTIVE OFFICES
BUREAUX EXÉCUTIFS
175 Montpelier Blvd., Montreal, Quebec. H4N 2G5

DIRECTORS:
ADMINISTRATEURS:

Harold Greenberg
President and Chief Executive Officer of the Company,
Montreal
Président de la compagnie et du conseil d'administration,
Montréal.

Austin C. Beutel President, Beutel, Goodman & Co. Ltd.,
Montreal
Président, Beutel, Goodman & Co. Ltd.,
Montréal

Edward M. Bronfman Chairman Edper Investments Ltd.,
Montreal
Président du conseil de Edper
Investments Ltd., Montréal

Jack L. Cockwell Vice-President and Treasurer of
Edper Investment Ltd.
Vice-président et trésorier de
Edper Investments Ltd.

J. Trevor Eyton Partner Tory, Tory, DesLauriers &
Binnington, Toronto
Associé, Tory, Tory, DesLauriers &
Binnington, Toronto

Harvey Greenberg President, Montreal Photographic
Centre Ltd., Montreal
Président, Montreal Photographic
Centre Ltd., Montréal

Ian Greenberg Vice-President and Treasurer of
the Company, Montreal
Vice-président et trésorier de la
compagnie, Montréal

Sidney Greenberg President, Bellevue Photographic Ltd.,
Toronto
Président, Bellevue Photographic Ltd.,
Toronto

John L. Liberman Partner, Liberman, Segall & Finkelberg,
Montreal
Associé, Liberman, Segall & Finkelberg,
Montréal

D. Miles Price Financial Consultant, Greenshields
Incorporated, Montreal
Conseiller financier, Greenshields Inc.,
Montréal

or any part of 60,000 common shares of \$3 per share expiring September 1, 1976.

6. EXTRAORDINARY ITEMS

The extraordinary items are:

	1976	1975
Gain on sale of theatres (less deferred income taxes of \$24,059 applicable thereto)	—	\$ 274,430
Write-off of equity in and loan to corporate joint venture	—	(155,950)
Income tax reductions arising from the application of prior periods' losses	\$ 26,192	82,531
	<u>\$ 26,192</u>	<u>\$ 201,011</u>

7. LEASE OBLIGATIONS

The minimum annual rentals payable in the next five years under long-term leases, exclusive of additional rent based on sales, are approximately as follows.

1977	\$ 427,000
1978	323,000
1979	246,000
1980	135,000
1981	97,000

8. CONTINGENT LIABILITY

The Company is jointly and severally liable for loans totalling \$322,000 made to a corporate joint venture. The portion of these loans pertaining directly to the Company is \$64,400.

9. INCOME TAXES

Certain of the Company's subsidiaries have losses for tax purposes aggregating approximately \$83,000 which may be carried forward against income of future years. The Tax benefits pertaining to these losses are available from 1977 until 1980.

10. ANTI-INFLATION ACT

The Company is subject to the Anti-Inflation Act which provides, as from October 14, 1975, for the restraint of profit margins, prices, dividends and compensation. In the opinion of management the Company has complied with the provisions of the Act for its year ended February 28, 1976.

Under existing regulations the maximum dividends that the Company can declare or pay on its capital stock in the twelve months ending October 13, 1976 are as follows:

On preference shares — 50 cents per share
On common shares — 7.5 cents per share

11. REMUNERATION TO DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid by the Company to its directors and senior officers (numbering ten persons) during the year ended February 28, 1976 amounted to approximately \$367,000.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Astral Bellevue Pathé Limited as at February 28, 1976 and the consolidated statements of retained earnings, earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at February 28, 1976 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Zittner, Siblin, Stein, Levine & Co.

Chartered Accountants

Montreal, Quebec
May 19, 1976

Notes to Consolidated Financial Statements as at February 28, 1976

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation:

The consolidated financial statements include the accounts of all subsidiary companies. Investments in corporate joint ventures are accounted for on the equity method.

b) Inventories:

Inventories include unamortized film acquisition and production costs aggregating \$902,552. Films acquired for specified periods or in perpetuity are amortized on a weighted basis over six to fifteen years. Films produced or co-produced are amortized on the basis of revenue received from each production.

All other inventories are valued at the lower of cost or net realizable value.

c) Advance royalties and deferred picture costs:

These costs represent the unrecovered portion of amounts expended for films acquired under distribution agreements. No net income is recognized with respect to these films until all related costs have been recovered.

d) Property, equipment and improvements:

Property, equipment and improvements are depreciated over their estimated useful lives.

e) Income recognition:

Income from distribution of films is recognized as instalment payments become due.

2. PROPERTY, EQUIPMENT AND IMPROVEMENTS

Property, equipment and improvements are carried at cost less accumulated depreciation of \$3,719,896 (1975 - \$3,268,915).

3. BANK INDEBTEDNESS

The bank indebtedness is secured by registered general assignments of book debts and by an undertaking to provide the bank with a fixed and/or floating charge debenture on certain assets.

4. LONG-TERM DEBT

10% Series A debentures secured by a first charge on certain assets

and repayable in quarterly instalments of principal and interest to October 1, 1977 \$ 50,000

9% Series B debentures secured by a second charge on certain assets and repayable in quarterly instalments of principal and interest to August 25, 1978 499,856

Series C income debentures secured by a third charge on certain assets, bearing interest at 8% per annum only out of annual after-tax earnings in excess of \$1 million, and repayable over the period to August 25, 1981 270,000

Mortgages and other loans, certain of which are secured by fixed property, bearing interest at varying rates 460,625

\$1,280,481

Principal payments are due as follows:

Year ending February 26, 1977. \$ 602,493

Year ending February 25, 1978. \$ 416,276

Year ending February 24, 1979. 210,100

Subsequent to February 24, 1979. 51,612

677,988

\$1,280,481

5. CAPITAL STOCK

Authorized —
32,500 5% Non-cumulative, preference shares of \$10 par value

5,000,000 Common shares without par value

Issued and fully paid —
32,500 Preference shares \$ 325,000

2,758,283 Common shares (net of 11,717 shares held in treasury) 3,273,854

\$3,598,854

The preference shares are entitled to ten votes each and are convertible on the basis of two common shares for each preference share.

A share purchase option is outstanding for all

Consolidated Statement of Changes in Financial Position

For the year ended February 28, 1976

	1976	1975
SOURCE OF FUNDS		
Earnings before extraordinary items	\$ 852,276	\$ 690,758
Depreciation of fixed assets	567,743	494,371
Deferred income taxes	44,199	121,992
	<u>1,464,218</u>	<u>1,307,121</u>
Share of earnings of corporate joint ventures	18,915	31,401
Funds provided from operations	<u>1,445,303</u>	<u>1,275,720</u>
Decrease in balances of sale receivable	87,870	—
Decrease in equity in and loans to corporate joint ventures	2,000	87,105
Proceeds of disposal of fixed assets (net of long-term debt and balance of sale receivable applicable thereto)	—	472,161
Income tax reductions arising from the application of prior periods' losses	26,192	82,531
	<u>1,561,365</u>	<u>1,917,517</u>
APPLICATION OF FUNDS		
Balances of sale receivable	104,000	—
Additions to fixed assets	780,154	683,579
Retirement of long-term debt	468,570	568,177
Purchase of common shares	—	16,404
Dividends on preference shares	16,250	16,250
Dividends on common shares	165,497	—
	<u>1,534,471</u>	<u>1,284,410</u>
INCREASE IN WORKING CAPITAL	26,894	633,107
WORKING CAPITAL - BEGINNING OF YEAR	<u>1,365,566</u>	<u>732,459</u>
WORKING CAPITAL - END OF YEAR	<u>\$ 1,392,460</u>	<u>\$ 1,365,566</u>

Consolidated Statement of Earnings

For the year ended February 28, 1976

	1976	1975
GROSS INCOME	<u>\$23,982,640</u>	<u>\$22,386,134</u>
EXPENSES		
Cost of sales	16,104,459	15,226,277
Selling and administration	5,578,132	4,965,334
Interest on long-term debt	93,244	133,935
Other interest	103,479	181,314
Depreciation of fixed assets	567,743	494,371
	<u>22,447,057</u>	<u>21,001,231</u>
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	1,535,583	1,384,903
Provision for income taxes	683,307	694,145
EARNINGS BEFORE EXTRAORDINARY ITEMS	<u>852,276</u>	<u>690,758</u>
Extraordinary items (Note 6)	26,192	201,011
NET EARNINGS	<u>\$ 878,468</u>	<u>\$ 891,769</u>
PER SHARE		
Earnings before extraordinary items	30.3 cents	24.5 cents
Net earnings	31.3 cents	31.7 cents

Consolidated Statement of Retained Earnings

For the year ended February 28, 1976

	1976	1975
BALANCE - BEGINNING OF YEAR	\$ 1,141,490	\$ 265,971
Net earnings	878,468	891,769
	<u>2,019,958</u>	<u>1,157,740</u>
Dividends on preference shares	16,250	16,250
Dividends on common shares	165,497	—
	<u>181,747</u>	<u>16,250</u>
BALANCE - END OF YEAR	<u>\$ 1,838,211</u>	<u>\$ 1,141,490</u>

LIABILITIES

	1976	1975
CURRENT		
Bank indebtedness (Note 3)	\$ 1,914,346	\$ 1,161,880
Accounts payable and accrued liabilities	3,019,178	2,928,732
Income taxes payable	294,546	236,322
Deferred income taxes	513,567	510,786
Long-term debt due within one year	602,493	667,075
	<u>6,344,130</u>	<u>5,504,795</u>
 LONG-TERM DEBT (Note 4)	 677,988	 1,146,558
DEFERRED INCOME TAXES	<u>374,475</u>	<u>330,276</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 5)	3,598,854	3,598,854
RETAINED EARNINGS	<u>1,838,211</u>	<u>1,141,490</u>
	<u>5,437,065</u>	<u>4,740,344</u>
	<u>\$12,833,658</u>	<u>\$11,721,973</u>

Consolidated Balance Sheet as at February 28, 1976

ASSETS

	1976	1975
CURRENT		
Accounts receivable	\$ 3,159,629	\$ 2,566,599
Inventories (Note 1)	3,826,845	3,662,242
Advance royalties and deferred picture costs	616,248	496,215
Prepaid expenses and deferred charges	133,868	145,305
	<u>7,736,590</u>	<u>6,870,361</u>
OTHER		
Balance of sale receivable	327,024	310,894
Equity in and loans to corporate joint ventures	106,050	89,135
	<u>433,074</u>	<u>400,029</u>
PROPERTY, EQUIPMENT AND IMPROVEMENTS (Note 2)	3,117,641	2,905,230
EXCESS OF COST OF SUBSIDIARIES OVER NET BOOK VALUE OF ASSETS ACQUIRED	1,546,353	1,546,353
	<u>\$12,833,658</u>	<u>\$11,721,973</u>

ON BEHALF OF THE BOARD

H. Greenberg
Director

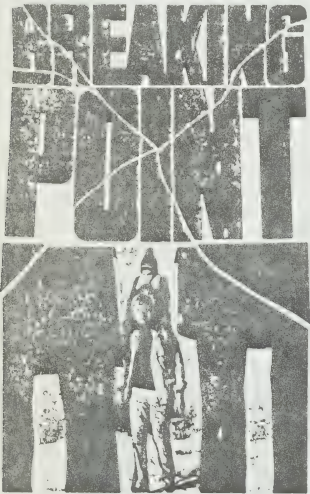
Sam Greenberg
Director

number of our mail order envelopes in their catalogue. There has also been dramatic growth in the sale of the special "BELLEVUE FILM & PROCESSING PACKAGE" (BPI), where, at a substantial saving to the customer, the sale of Kodak Film is locked into future processing in our laboratories.

During the past fiscal year, the Division conducted sales promotion campaigns with THE MONTREAL CANADIENS, THE MONTREAL EXPOS, THE CANADIAN NATIONAL EXHIBITION, and with the McDONALD RESTAURANT CHAIN in Montreal and Toronto.

The Post-A-Photo technique, which turns ordinary photographs into postcards, met good consumer acceptance and will be continued in the foreseeable future.

MOTION PICTURE ACTIVITIES



Astral Bellevue Pathé
Co-Production, 20th Century Fox

Through its subsidiary, ICL INDUSTRIES LTD., the Company has taken an active role in the packaging of feature film productions. Its functions include the selection of suitable scripts, arranging financing, controlling budgets and providing other necessary support.

This involvement in film production enhances our ability to secure additional volume for our

motion picture processing division and titles for our film distribution arm.

During the past year, ICL INDUSTRIES co-produced two feature films. BREAKING POINT was completed in association with 20th Century Fox and commenced its world-wide distribution in June, 1976. THE LITTLE GIRL WHO LIVES DOWN THE LANE, also recently completed, was co-produced with Zev Braun Productions and distribution is tentatively set for the Fall.

The company has in preparation several features including two more co-productions with 20th Century-Fox, two Canadian adventure pictures to be filmed this summer, of which one is in association with J. Arthur Rank, and a multi-million dollar musical production.

Recent government regulations provide for more favourable tax treatment of film investment by Canadians. These new rules encourage interested parties to participate with ICL INDUSTRIES to stimulate film production in Canada for world markets.

Our Montreal operation remains the dominant factor in the Quebec motion picture processing market. Increasing demand for its services has necessitated further expansion of processing capacity, and an additional modern sound studio has been built.

Reacting to the demands of the French language market the company introduced "TOTAL DUBBING SERVICE" which fulfills our clients needs in dubbing services from script to final editing. This service has proven to be very successful, and we look for further growth in coming years.

In the more competitive Toronto market a planned move to increase our efficiency and offer better service to our clients is underway. Certain key production facilities of our laboratory operation are being relocated downtown in our sound studio building.

Feature film production work in Toronto continues to be depressed, however, release printing work has been a steady source of revenue. The SUPER 8 operation, based solely in Toronto, also showed gains in its contract work.

RETAIL DIVISION



The improved market penetration of the Steinberg's Miracle Mart department store chain has been an encouraging development for our camera department concessions. After closing three stores in recent years, Miracle Mart will shortly open a new store in Jonquière, Québec, and others are planned.

In the MONTREAL PHOTO operations, where the

initiative for expansion rests with ourselves, the number of stores has increased to 11. Recent openings include: a second location in Quebec City; Fairview Shopping Centre in suburban Montreal; Complex Desjardins in downtown Montreal; Galeries D'Anjou Shopping Centre in Montreal East; and in Sherbrooke, Quebec. During the 1977 fiscal year, four additional stores will be opened: two in the Ottawa district; and in Toronto at the new Royal Bank Building and the new Eaton's development. The emphasis is now on seeking further penetration into the Ontario market.

In connection with this westward expansion, we are changing the name of our retail photo shops to ASTRAL PHOTO for better corporate identity. Its merchandising philosophy will remain unchanged — to serve the serious photographer and involved hobbyist with a wide range of photographic products and darkroom supplies.

Our exclusive private brand — IMAGE — has proven to be very successful, and includes such accessories as lenses, filters, flashes, and tripods. These products afford the entire retail division some protection against unstable market conditions, and permit us the opportunity to provide quality products at reasonable prices.

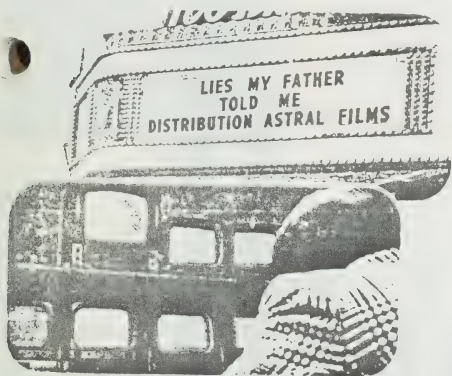
PHOTO FINISHING DIVISION



This division's success is attributable to the increased efficiency of our modern equipment and our aggressive marketing programs.

New areas of potential photo finishing business are constantly being cultivated. This year the division negotiated with a prominent chain of catalogue stores for the insertion of a large

FILM DISTRIBUTION DIVISION



The highlight of the year in theatrical film distribution was ASTRAL FILMS' appointment as Canadian distributor for AVCO-EMBASSY PICTURES CORP. This relationship also includes releases from ITC PICTURES of the United Kingdom. Titles expected for release in the near future include such multi-million dollar features as VOYAGE OF THE DAMNED, THE CASSANDRA CROSSING, and THE DOMINO PRINCIPLE. In addition, the division continues to distribute exclusively in the Canadian market films released by J. ARTHUR RANK and BRYANSTON PICTURES. The Company also extended its service agreement with COLUMBIA PICTURES to May, 1978.

It is gratifying to note that amongst the more successful films distributed this year were two Canadian produced films, LIES MY FATHER TOLD ME and RECOMMENDATION FOR MERCY. The Company also distributes SWEPT WAY and SEVEN BEAUTIES which are both important foreign films.

The results of theatrical distribution, while profitable, were less than satisfactory last year. Through the new affiliation with AVCO-EMBASSY, increased activity with our long term associates, and direct involvement in Canadian film productions, we expect to make available a greater number of major films in the coming year and anticipate a substantial improvement in the performance of this subsidiary.

Television distribution continued its normal pattern of steady revenue growth. Always actively seeking out new properties, television distribution recently acquired exclusive rights to the HAROLD LLOYD LIBRARY from TIME-LIFE. Also acquired were the Canadian television rights of AVCO-EMBASSY products.

Recent government regulations restricting the flow of advertising dollars to U.S. border television stations will, we believe, have a positive effect on the Canadian television industry and an increased demand for our television services.

We look forward to the future of the film distribution division with confidence.

MOTION PICTURE PROCESSING DIVISION



This division offers complete laboratory, post production and sound services to the professional film maker. With complete facilities in both Montreal and Toronto, it is the largest operation of its kind in Canada.

MESSAGE FROM THE PRESIDENT (Cont'd)

role includes assisting in the selection of suitable scripts, financing through third parties, supervising responsibility in budget control, processing in our laboratories, and Canadian contribution through our offices. Having participated on a limited scale in such ventures to date, your management is intrigued with the profit potential that further involvement of this nature offers. Specific activities in this area are featured in the following pages.

The company is subject to the regulations of the Anti-Inflation Board, necessitating some allocation of managerial resources to compliance therewith. However, at this point, we anticipate no particular difficulties as it affects our ability to compete effectively and profitably in our markets. In concert with most other independent businesses, we hope that conditions permit an early return to an environment where business decisions are less encumbered by arbitrary regulations affecting only segments of the community.

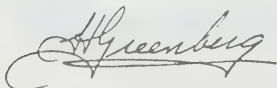
In budgeting for the coming year, we have provided for an economic background of continuing gradual business recovery. The persistent inflation, however, is reflected in pressure on profit margins. Nevertheless, we expect further sales and at least proportionate profit increases for fiscal 1977.

In April, 1976, an offer to purchase was accepted for our building on Davenport Road in Toronto, and arrangements are being made to relocate the distribution offices and associated facilities in larger premises.

During the past year, we welcomed Mr. Vern Furber to the company as President of Astral Television Films, and Mr. Jack Cockwell as a Director of the company.

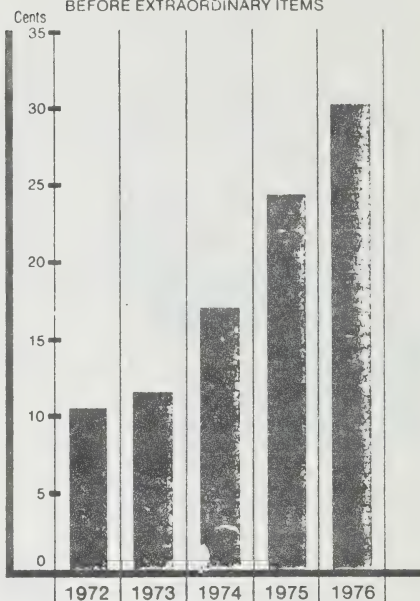
The energy and devotion of its employees and associates, the support of suppliers and the loyalty of its customers are critical factors in the success of any business. My personal thanks are extended to all those people who in one way or another contributed to our fine results.

Sincerely,

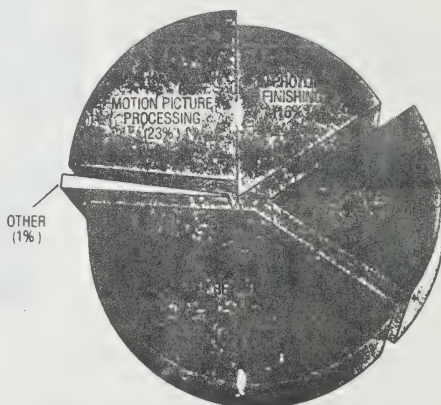


President

EARNINGS PER SHARE BEFORE EXTRAORDINARY ITEMS



SALES





MESSAGE FROM THE PRESIDENT

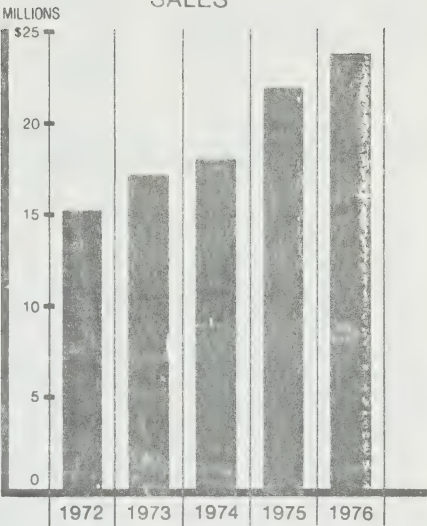
In spite of many cross-currents in the economy, and shifting trends within the industries in which we participate, the consolidated results for fiscal 1976 were highly satisfactory. On a 7% overall sales increase to nearly \$24 million, earnings before extraordinary items increased 23% to \$852,000, which, after preference dividends, was equal to 30.3¢ per common share as against 4.5¢ in the prior fiscal period.

Operations generated a cash flow of \$1,445,000. These funds were used to the extent of \$780,000 for fixed asset additions, \$469,000 for retirement of long term debt, and \$165,000 for common stock dividends, representing two semi-annual payments of 3¢ each, the first year of such payments. Working capital improved marginally.

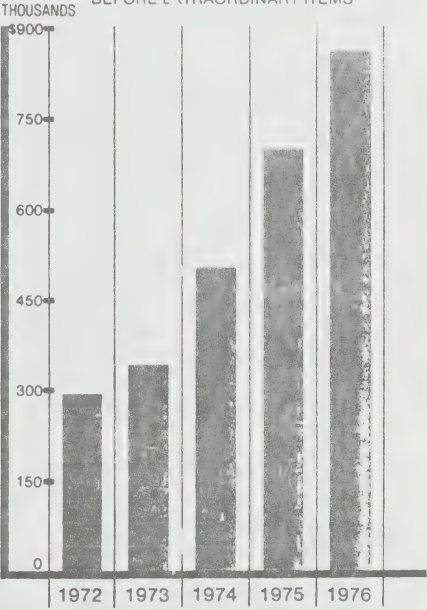
This year, for the first time, the accompanying charts indicate the relative importance, by revenues, of our four operating divisions. In general, the photofinishing, retail, and motion picture processing divisions showed revenue increases over fiscal year 1975, while the distribution division, reflecting a reduction of substantial box office hits, recorded a sales decline. Further comments on the divisional operations appear in a subsequent section of this report.

A major thrust of the company occurred in the area of theatrical film distribution alliances. As previously reported, effective on January 1, 1976, Astral Films became the exclusive Canadian distributor for Avco-Embassy Pictures and it is expected that releases by this major studio will enhance our position. Additionally, as a result of clarified and more favorable tax treatment of film investments by Canadians, your company is taking a leading role to stimulate feature production in Canada for world markets. Our

SALES



EARNINGS
BEFORE EXTRAORDINARY ITEMS



Financial Highlights	1976	1975	1974
Sales	\$23,983,000	\$22,386,000	\$18,524,000
Earnings before income taxes	1,535,000	1,385,000	913,000
Income taxes	683,000	694,000	423,000
Earnings before extraordinary items	852,000	691,000	490,000
Extraordinary items	26,000	201,000	357,000
Net Earnings	878,000	892,000	847,000
Working capital	1,392,000	1,366,000	732,000
Shareholders' equity	5,437,000	4,740,000	3,881,000
Per Share			
Earnings before extraordinary items	30.3 cents	24.5 cents	17.5 cents
Earnings	31.3 cents	31.7 cents	30.4 cents
Shareholders equity	1.85	1.60	1.28

annual report 1976



ASTRAL BELLEVUE *Pathé* LIMITED



Bell Canada

E.J. Nishimoto
Assistant Vice-President
(Regulatory Matters)

COMMENT
COMMENTAIRE

55

Room 915
620 Belmont
Montreal, Quebec
(514) 870-7979

September 30, 1976

Received by - Rég. Gen.
SECRETARIAT

SEP 1 1976

C.B.L.

Mr. Guy Lefebvre
Secretary General
Canadian Radio-television and
Telecommunications Commission
100 Metcalfe Street
Ottawa, Ontario K1A 0N2

Dear Sir:

In June 1975, Bell Canada presented a brief commenting on the Commission's Position Paper on Pay Television Service.

Recently, in June of this year, both the Minister of Communications, the Honourable Jeanne Sauvé, and the Chairman of the CRTC, Mr. Harry Boyle, suggested that all parties up-date their 1975 submissions in order to assist the Commission's renewed deliberations in the field of Pay T.V.

In this context, we have reappraised our earlier comments and find them still valid.

The principal theme of our submission continues to be that an efficient "per-program" Pay service would be possible without the need for an expensive return signalling path to the program source. This would apply regardless of how a Pay T.V. program is delivered to the consumer. i.e. over the air or cable (C.A.T.V. operator's or leased from a carrier). It would be achieved by use of existing telephone lines available in virtually every household together with subscriber control units.



CANADIAN RADIO-TELEVISION COMMISSION

POSITION PAPER ON PAY TELEVISION

COMMENTS BY BELL CANADA

JUNE 1975



CRTC POSITION PAPER ON PAY TV

COMMENTS BY BELL CANADA

Bell Canada has played a significant role in the development and growth of the Canadian broadcast and cable television industries. As a telecommunications carrier, Bell's contribution has been to provide certain telecommunications services which assist broadcasters and cable operators in serving their respective publics. Through the years Bell has been called upon to provide a variety of such services in order to meet the changing needs of these particular industries.

In offering such transmission services we have enabled the broadcasters and cable operators to concentrate a greater part of their resources on their fundamental programming activity.

In the cable television sector, we provide about 70% of the coaxial cable now in use in our territory.

The introduction of Pay TV services in Canada will present an opportunity for Bell Canada to respond with supportive innovation that we believe will be attractive to those interested in undertaking the provision of such services with minimum investment in expensive new technology.

Before presenting details of the potential services we may offer for development of Pay TV service in our serving territory, we would like to restate our position vis a vis the "message" and the "medium", as this underlies our position on Pay TV.

The Bell Canada response to the Federal Government "Green Paper" (Proposals for a Communications Policy for Canada) outlined the telecommunications carriers' role as being "primarily engaged in providing the means whereby persons may communicate - the medium". The statement then continued: "Their basic concern is with the facilities used for conveying intelligence electronically, and not with the content of the information being conveyed". We further pointed out that Bell's Act of Incorporation precludes the Company from holding a license as a broadcasting receiving undertaking under the Broadcasting Act. We also stated that we saw the role of the broadcasters of Canada as primarily engaged in the provision of information and entertainment to the Canadian public using software or program material which they themselves produce or otherwise acquire. In short, we have stated that our business is to provide the facilities (the medium) over which the broadcasters and cable operators distribute their programs and information (the message).

Our position with respect to Pay TV reflects the same thought: we see the telecommunications carriers providing the means by which Pay TV licensees can provide a service to the public.

Having stated that we see our role as being supportive to potential Pay TV operators, let us go on to discuss more precisely what form this role might take. Firstly, we see an opportunity for this new segment of the broadcast industry to benefit from the shared use of telecommunications carrier-owned facilities in the provision of their services. Secondly, and of significant importance, is the advantage of having directed to the special needs of this new industry the resources of Canada's largest private R & D organization: Bell-Northern Research, plus the manufacturing power of the Northern Electric Co. Simply stated, we can present an opportunity to make efficient use of Canadian resources already available combined with the development and manufacture in Canada of new apparatus which may be necessary.

As the Commission is aware, Bell Canada has always favored an approach whereby it would, as a telecommunications carrier, lease to cable operators the entire local transmission system they require in order to distribute their programming. While the industry has been generally unreceptive to this notion, we continue to believe that it is the right way to go in the long term public interest. We hope that, in time, the industry and this Commission will come to share this view. However, we note with some concern the Commission's suggestion that CATV operators would become suppliers of broadband facilities to Pay TV Operators, thus in essence becoming telecommunications carriers. The advisability of creating a multiplicity of carriers is an extremely

complex subject with far reaching implications. This subject is of keen interest to regulators, governments and of course to the carriers themselves. In Bell's view, the importance of the subject is such that it merits careful consideration on its own and by all interested parties. Bell would welcome participation in such a consideration of the question.

Concerning Pay TV, Bell has, in certain locations, distribution facilities which would be suitable for the purposes of a Pay Television Network Operator, be he the cable TV Operator or an independent. Further, in connection with the transmission of live theatre or ballet as suggested in the Commission's Position Paper, our extensive broadband facilities throughout the residential and commercial districts of metropolitan areas would lend themselves readily to feeding such programmes into Pay TV distribution centres.

The Commission has also suggested that individual Pay Television Network Operators may ultimately serve vast areas of the country or may band together to form a large network "by the use of satellite or microwave interconnection". As a telecommunications carrier Bell sees its role as being one of meeting such needs either over existing facilities or through new construction where appropriate. No matter how extensive a network would be required, Bell together with its fellow members of the Trans-Canada Telephone System could provide the necessary facilities with economies resulting from shared use of existing installations wherever possible.

Turning to Pay TV delivery systems, the Commission's position paper indicated that service may be offered either as "a continuing program selection" for a flat monthly fee or on a basis which releases "individual programs to subscribers on payment of a 'per program' charge".

Since the "per program" basis of supplying service incorporates all the really attractive aspects of Pay TV such as special programs on demand, pay-as-you-go, and user control, plus the potential for higher revenues through impulse buying, it is likely to be the preferred method provided an economical delivery and billing system is possible.

In the context of such a system, we feel that the existing local telephone network offers a practical communications resource which can be used to good advantage. However, we must be careful where Pay TV systems would require their subscribers to order programs by telephone. While it is impossible to foresee the circumstances in each case, the large impulsive calling prior to a high interest program could, in some situations, result in excessive loads being placed on the telephone network, this could result in a serious degradation in service level to all telephone subscribers in a particular area.

Because of this concern we feel that any serving concept using the telephone network should be developed in conjunction with the telephone company.

In that context Bell has already held discussions with several large CATV operators concerning the subject.

Apart from our concerns as to excessive loads on the telephone network, providing Pay TV delivery systems to licensees would represent an opportunity for Bell because of our unique position with respect to our existing transmission facilities and our expertise particularly in the design and administration of systems for handling volumes of random traffic. This has caused Bell Canada together with Bell-Northern Research to undertake development work in a system for ordering Pay TV programs and for providing usage data but which does not require subscribers to order programs by telephone.

The system on which we have been working could be used with either over-the-air or cable serving arrangements. Its most visible component is a "Pay TV Control Unit" located at the Pay TV subscriber's premises. This unit incorporates a descrambler and storage capability. By means of the unit, the subscriber wishing to see a particular program can activate the descrambler, giving access to any one of several channels carrying premium programming. The control unit will then keep track of the amount of premium time used by that particular subscriber for that particular program. At periodic intervals, in late night hours when the telephone network is virtually idle, a centrally located data collection device (such units are already in common use in Bell Central Offices for remote testing of telephone facilities) will interrogate the control unit over the regular subscriber telephone line and collect the usage

data for all premium viewing since the last collection. The data would then be forwarded to the Pay TV Operator for billing and market planning purposes.

A more detailed description of the system will be found in the addendum.

A significant feature of this system is that it would use existing facilities, particularly current one-way CATV systems of suitable capacity, and the local telephone network. The economies realized through such joint use of facilities would mean system implementation at minimum additional cost to the general public. The highly developed CATV distribution systems in major centres would not require extensive change and would provide access to a ready made market to be developed. The system design would provide viewers with impulse-buying opportunities and rapid response.

Thus Pay TV operators, irrespective of whether they use Bell Canada broadband distribution facilities, their own or those leased from some other suppliers, could lease from Bell a system that would be both service and price attractive. This would then permit the operators to concentrate a greater part of their resources and efforts on programming and program development.

To date, Bell sponsored Bell-Northern Research activity has resulted in the design of a promising system. Bell Canada is prepared to consider further development

activity once the Commission's policies are known, at which time market potential can be more accurately assessed.

The Commission, in its Position Paper, envisages that Pay TV may present new opportunities for development of the Canadian broadcasting and program production industries. We would add that the Commission's policy should equally seek to strengthen opportunity for Canadian technical R & D and manufacturing in this new field of activity. In the above proposal we see such possibilities.

Bell Canada has provided and continues to provide much of the "medium" which carries the "message" of the broadcasters and cable operators. Bell can and is willing to play a similar and expanded role in the provision of Pay TV.

PAY TV ORDERING AND USAGE METERING SYSTEM

This system is being developed by Bell Canada to work as an essential component of a total Pay TV delivery system. It assumes that premium programming will be provided from a Pay TV studio to be viewed on a "pay as you use" basis by subscribers to the service.

It is intended that the system would assist in the development of Pay TV by providing an economical and adaptable service offering working in conjunction with the telephone network but not requiring the Pay TV subscriber to order programs by telephone.

It employs a usage metering technique that locally stores (in the household) the details of all premium Pay TV Channel transactions which can be read out remotely, at an appropriate time, over the telephone network.

The following outlines the system's features and operating characteristics:

Pay TV Programming

The system design assumes that the Pay TV Operator will distribute his programming in the following manner:

- Programs will be transmitted on a scheduled basis on one or more channels.

- Pay TV subscribers will be kept informed of programming in advance by use of a free "barker" channel or by other means.
- The signals on premium channels will be scrambled to restrict availability to Pay TV subscribers only.
- Identifying signals will be included in the transmissions to permit program identification.

Ordering and Usage Metering System Features

In order to meet the needs of both the Pay TV operator and the subscriber the following features will be incorporated:

- Usage Metering - A metering device will record the subscriber's program selection(s) and viewing time(s).
- Billing Flexibility - Since viewing time will be recorded on a per program basis, the Pay TV operator will have the ability to provide a variety of billing options, e.g.:
 - Bulk usage charges
 - Special events charges
- Market Analysis Information - Usage recording on a per program basis plus regular feedback on viewing statistics will facilitate assessment of market acceptance of programming.
- Security - The system is designed to protect against fraudulent use.

- Ease of Operation - To order a program, the subscriber will simply select an appropriate channel using the Channel Selector (in large urban systems this will likely be the set-top converter) and unlock the Pay TV Control Unit. The locking device is provided to guard against frivolous use.

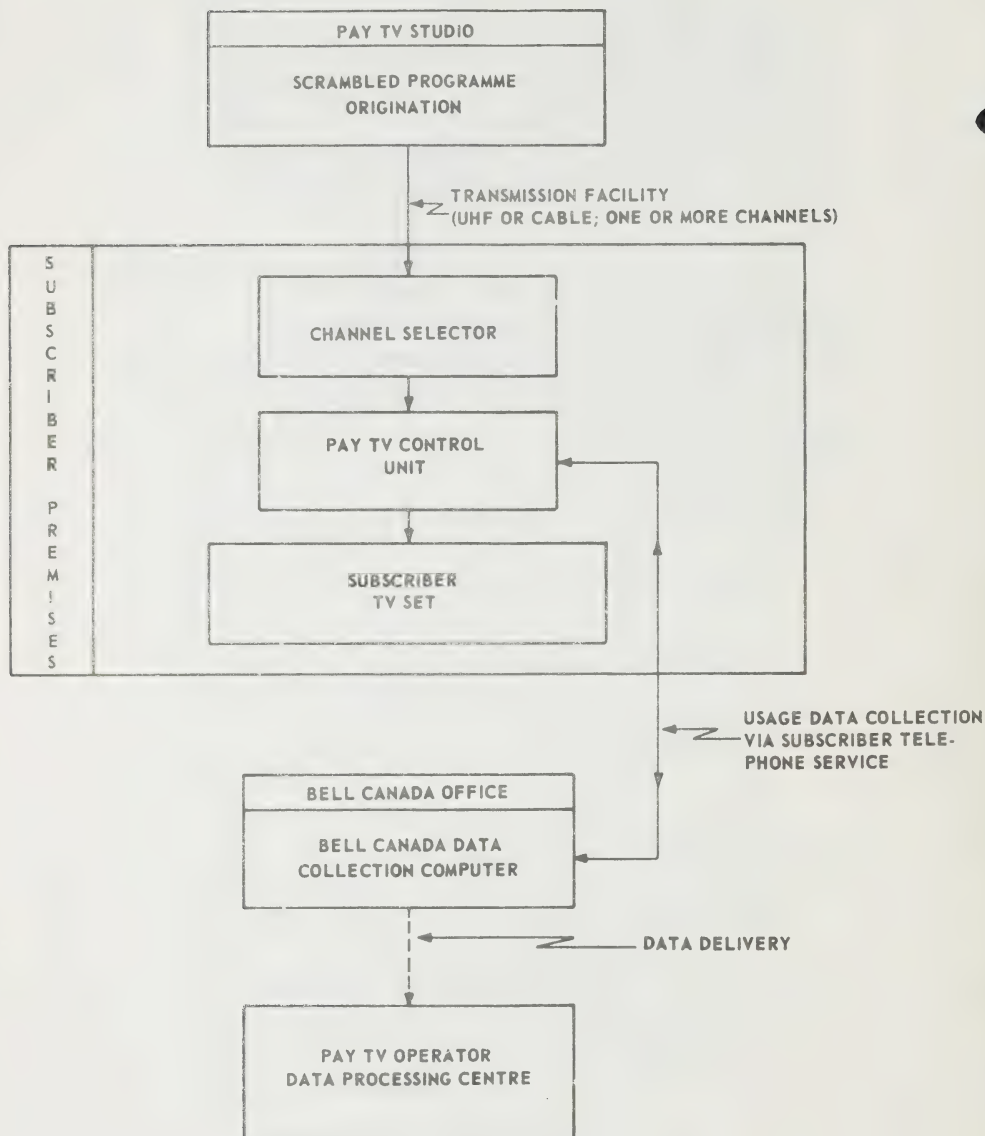
Operating Characteristics

The attached diagram depicts in simplified form the overall system configuration. The system operating characteristics are:

- Programs will be originated from a Pay TV studio or "Headend" where the video signal will be scrambled.
- Programs can be delivered either by UHF signals or via cable.
- Programs can be transmitted over more than one premium channel.
- The existing telephone network is utilized for the collection of usage data.
- There is no need for a costly bi-directional cable system.
- The Pay TV Control Unit (PTV-CU) is connected between the Channel Selector and the TV set. Having selected a premium channel, the subscriber orders a program by unlocking the PTV-CU. The incoming video picture is unscrambled and the PTV-CU records the program identification number and accumulates and records the viewing time in its memory and control circuitry.

- At prescribed intervals a computer, located in Bell Canada's central office polls the subscriber's PTV-CU over his regular telephone service. The connection is made automatically and includes programmed "handshakes" to assure the right PTV-CU has been reached. The usage information stored in the PTV-CU is then transmitted to the polling computer.
- The usage data for all Pay TV subscribers is stored in the computer and delivered to the Pay TV operator at prescribed intervals and in appropriate format for billing and statistical analysis purposes.

BLOCK DIAGRAM OF
BELL CANADA PAY TV DELIVERY SYSTEM



CONSEIL DE LA RADIO-TÉLÉVISION CANADIENNE

PROJET DE POLITIQUE RELATIF AU SERVICE DE TÉLÉVISION À PÉAGE

COMMENTAIRES DE BELL CANADA

JUIN 1975



PROJET DE POLITIQUE DU CRTC
RELATIF AU SERVICE DE TELEVISION A PEAGE

COMMENTAIRES DE BELL CANADA

Bell Canada a joué un rôle important dans le perfectionnement et l'expansion de la radiodiffusion et de la télédistribution au Canada. Sa contribution, à titre d'entreprise de télécommunications, a été d'assurer certains services de communication qui aident les radiodiffuseurs et les télédistributeurs à desservir leur public respectif. Au cours des années, Bell Canada a été appelée à fournir une gamme de services divers destinés à répondre aux besoins changeants de ces industries particulières.

Les services de transmission que nous offrons ont permis aux radiodiffuseurs et aux télédistributeurs de concentrer une plus grande partie de leurs ressources sur l'aspect fondamental de leur activité qu'est la programmation.

Dans le secteur de la télévision par câble, nous fournissons environ 70% des câbles coaxiaux actuellement en service dans le territoire que nous desservons.

L'adoption au Canada de la télévision à péage fournira à Bell Canada l'occasion de jouer un rôle de soutien innovateur, qui croyons-nous intéressera les entreprises désireuses d'assurer les services en question moyennant un investissement minimum dans un domaine technique nouveau et onéreux.

Avant de présenter le détail des services éventuels que nous pourrions offrir en vue du développement de la télévision à péage dans le territoire desservi par Bell Canada, nous aimerions réexposer notre point de vue au sujet du "message" et du "médium"; ce point de vue est à la base de notre position sur la télévision à péage.

La réponse de Bell Canada au Livre vert du gouvernement fédéral (Vers une politique nationale de la télécommunication) précise que "la mission première des entreprises de télécommunications est de fournir le moyen de communication, c'est-à-dire le médium. La principale préoccupation de ces dernières réside non pas dans le contenu de l'information, mais dans les moyens électroniques qui en permettent l'acheminement". Nous signalions en outre dans notre réponse que Bell Canada se voit empêchée, de par sa charte, de détenir un permis en vertu de la Loi sur la radiodiffusion. Nous émettions aussi l'opinion que la mission première des radiodiffuseurs canadiens est d'assurer des services d'information et de divertissement au public au moyen de programmes ou d'éléments de programmes qu'ils doivent soit produire, soit acquérir. Bref, nous spécifions que notre entreprise doit fournir les installations (le médium) au moyen desquelles les radiodiffuseurs et les télédistributeurs transmettent leurs émissions et leurs informations (le message).

Notre position en ce qui concerne la télévision à péage suit la même ligne de pensée: nous estimons que les entreprises de télécommunications fournissent les moyens par lesquels les entreprises de télévision à péage peuvent assurer un service au public.

Ayant énoncé que notre rôle en était un de soutien envers les exploitants éventuels de la télévision à péage, examinons maintenant en quoi ce rôle pourrait plus précisément consister. Primo, nous voyons pour ce nouveau secteur de l'industrie de la radiodiffusion une occasion de profiter de l'utilisation partagée des installations appartenant aux entreprises de télécommunications pour offrir ses services. Secundo, un avantage d'une importance considérable: l'orientation des ressources de la plus grande entreprise privée de recherche et de développement au Canada, les Recherches Bell-Northern, vers les besoins particuliers de cette nouvelle industrie, ajoutée à la capacité de fabrication de la compagnie Northern Electric. Pour résumer, nous pouvons offrir la possibilité d'une utilisation efficace des ressources canadiennes déjà existantes, jointe à la mise au point et à la fabrication au Canada des nouveaux équipements qui peuvent être nécessaires.

Le Conseil n'ignore pas que Bell Canada, à titre d'entreprise de télécommunications, a toujours préféré la méthode en vertu de laquelle elle louerait en entier aux télé distributeurs le système de transmission local dont ils ont besoin pour la diffusion de leurs émissions. Bien que l'industrie n'ait généralement pas manifesté d'enthousiasme pour cette formule, nous continuons de croire qu'il s'agit là de la meilleure façon de servir l'intérêt public à long terme. Nous espérons, qu'avec le temps, le Conseil et l'industrie en viendront à partager cette vue. Cependant nous constatons, non sans appréhension, que le Conseil suggère que les télé distributeurs deviennent fournisseurs d'installations à large bande auprès des exploitants de service de télévision à

péage, donc par le fait même deviennent des entreprises de télécommunications. L'opportunité de créer une multitude d'entreprises de télécommunications est une question extrêmement complexe et d'une portée considérable. Ce sujet est d'un grand intérêt pour les organismes de réglementation, les gouvernements et, naturellement, les entreprises de télécommunications elles-mêmes. Aussi, pour Bell Canada, cette question est si importante qu'à son avis elle doit faire l'objet, séparément, d'un examen attentif par toutes les parties intéressées. Bell Canada apprécierait participer à une telle étude de cette question.

Quant à la télévision à péage, Bell Canada possède dans certains endroits les installations de distribution pouvant satisfaire les besoins des exploitants de réseaux de télévision à péage, qu'il s'agisse du télé distributeur du secteur ou d'une autre entreprise. Par ailleurs, en ce qui a trait à la télédiffusion en direct de pièces de théâtre ou de ballets, tel que le suggère le projet de politique du Conseil, nos vastes installations de transmission à large bande situées dans les districts résidentiels et commerciaux des zones métropolitaines se prêteraient aisément à la diffusion de ces émissions vers les centres de distribution de télévision à péage.

Le Conseil a aussi suggéré que les exploitants individuels de la télévision à péage puissent ultimement desservir de grands territoires du pays ou s'unissent pour former un vaste réseau au moyen de satellite ou d'interconnexion micro-onde. En tant qu'entreprise de télécommunications, Bell Canada estime que son rôle doit consister à satisfaire ces exigences d'ordre technique en utilisant son

réseau actuel ou en ayant recours à de nouvelles installations au besoin. Quelle que soit l'envergure du réseau requis, Bell Canada pourrait, de pair avec les autres membres du Réseau Téléphonique Transcanadien, fournir l'équipement voulu. De plus, l'utilisation partagée des installations, partout où c'est possible, représenterait une économie.

En ce qui a trait aux systèmes de diffusion de la télévision à péage, le Conseil indique, dans son projet de politique, que le service pourrait être offert aux abonnés soit "par sélection continue d'émissions" moyennant un tarif mensuel fixe, soit par émission individuelle suivant un tarif unitaire.

Comme la formule de prestation du service fondée sur le degré d'utilisation ou le nombre d'émissions présente tous les attraits réels de la télévision à péage, tels que les émissions spéciales sur demande, la facturation en fonction de l'usage, le contrôle de l'utilisation, en plus des revenus plus élevés découlant éventuellement de la sélection spontanée, c'est celle qui sera vraisemblablement retenue, pour autant qu'un système économique de diffusion et de facturation puisse être mis sur pied.

Dans un tel contexte, nous croyons que le réseau téléphonique local existant constitue un moyen de communication pratique qui peut être avantageusement mis à contribution. Cependant, les systèmes de télévision à péage où les usagers devraient commander les émissions par téléphone nous dictent une attitude prudente. Bien qu'il soit impossible de prévoir les circonstances précises

dans chaque cas, il y a lieu de craindre que le volume additionnel d'appels à l'approche d'émissions particulièrement populaires pourrait parfois provoquer une surcharge du réseau téléphonique, entraînant ainsi une grave dégradation du service à tous les abonnés du secteur en cause.

Aussi sommes-nous d'avis que toute formule de service prévoyant l'usage du réseau téléphonique devrait être mise au point conjointement avec la compagnie de téléphone. Bell Canada a déjà entamé des discussions à ce sujet avec plusieurs exploitants importants de la télévision par câble.

Mises à part nos préoccupations concernant les surcharges du réseau téléphonique, nous croyons que, pour Bell Canada, fournir des systèmes de diffusion aux détenteurs de permis constituerait un bon débouché, étant donné la situation unique qui est la sienne tant pour ce qui est des installations de transmission qu'en ce qui concerne son expérience, particulièrement dans la conception et la gestion des systèmes de traitement de trafic irrégulier. C'est dans cette optique que Bell Canada, en collaboration avec les Recherches Bell-Northern, a entrepris de mettre au point un système de commande d'émissions de la télévision à péage et d'information concernant les données d'utilisation, qui n'oblige pas l'abonné à commander par téléphone.

Le système sur lequel nous avons concentré nos efforts pourrait servir à la transmission par câble ou par ondes hertziennes. La partie la plus visible est une

unité de commande TVAP située chez l'abonné. Cette unité est dotée d'un débrouilleur et d'une mémoire. L'abonné qui désire voir une émission en particulier actionne le débrouilleur, qui lui donne accès à l'un des nombreux canaux qui offrent des émissions à péage. L'unité de commande relève le temps d'utilisation de l'abonné en cause, pour l'émission choisie. A intervalles périodiques, très tard en fin de soirée, c'est-à-dire lorsque le réseau téléphonique est peu utilisé, un dispositif central de collecte de données (ces unités sont employées couramment dans les centraux de Bell Canada pour la vérification à distance des installations téléphoniques) interrogera l'unité de commande au moyen de la ligne téléphonique de l'abonné et recueillera les données d'utilisation de toutes les émissions à péage transmises depuis la dernière collecte de données. Ces données seront ensuite envoyées à l'exploitant du service de télévision à péage, à des fins de facturation et de planification du marché.

Une description détaillée du système envisagé est jointe en annexe.

L'une des premières caractéristiques de ce système est l'utilisation des installations existantes, notamment les réseaux unidirectionnels de télévision par câble d'une capacité convenable, et le réseau téléphonique. Par conséquent, grâce à l'économie que permettrait cette utilisation conjointe des installations, le système pourrait être mis sur pied à un coût additionnel minime pour le public. Dans les grands centres, les systèmes de télédistribution hautement développés seraient en mesure,

avec un minimum de changements, d'assurer l'accès à un marché déjà acquis dont il faudrait exploiter les possibilités. La formule adoptée permettrait à l'abonné de faire une sélection spontanée des émissions qu'il désire voir et d'obtenir une réponse rapide à ses demandes.

Ainsi, les exploitants de services de télévision à péage, qu'ils utilisent les installations de transmission à large bande de Bell Canada, leurs propres installations ou celles d'un autre fournisseur, pourraient louer de Bell Canada un système complémentaire de sélection et de mesure d'utilisation, qui serait attrayant tant sur le plan du service que sur celui du coût. Cela permettrait alors aux exploitants de consacrer une plus grande partie de leurs ressources et de leurs efforts à la programmation et à la préparation d'émissions.

A ce jour, le programme de recherche entrepris par les Recherches Bell-Northern à la demande de Bell Canada, a conduit à la mise au point d'un système plein de promesses. Bell Canada est prête à envisager des études plus poussées lorsque la politique du Conseil sera connue, et c'est alors que les possibilités du marché pourront être évaluées de façon plus précise.

Dans son projet de politique, le Conseil prévoit que la télévision à péage offrira de nouveaux débouchés aux industries canadiennes de radiodiffusion et de production d'émissions. Nous aimerions ajouter que la politique de ce dernier devrait également tendre à renforcer le secteur canadien de la recherche et du développement

technique de même que le secteur manufacturier dans ce nouveau champ d'activité. Nous croyons que la proposition formulée plus haut présente cette possibilité.

Bell Canada a fourni dans une large mesure, et continue de le faire, le "médium" qui transmet le "message" des radiodiffuseurs et des entreprises de télédistribution. Elle peut jouer un rôle analogue et encore plus important dans le domaine de la télévision à péage et désire le faire.

SYSTEME DE COMMANDE ET DE RELEVES
D'UTILISATION POUR LA TELEVISION A PEAGE

Bell Canada s'emploie présentement à mettre au point un système de commande et de relevés d'utilisation pour la télévision à péage qui serait l'un des éléments essentiels d'un système global de télévision à péage. La compagnie présume que les émissions à péage seraient diffusées à partir d'un studio de télévision à péage et que la facturation serait fonction du nombre d'émissions regardées.

Le système est conçu de manière à favoriser le développement d'un système de télévision à péage, car il constitue un moyen souple et économique d'assurer le service, par l'intermédiaire du réseau téléphonique, sans toutefois que l'abonné n'ait à commander les émissions de son choix par téléphone.

Ce système comporte un dispositif qui enregistre, chez l'abonné, le détail des émissions regardées par l'entremise des canaux à péage. Les données peuvent ensuite être relevées à distance, au moment approprié, au moyen du réseau téléphonique.

On trouvera ci-après un aperçu des caractéristiques du système et de son fonctionnement.

Emissions de la télévision à péage

On a conçu le système en présumant que les exploitants d'une entreprise de télévision à péage diffuseront leurs émissions selon les modalités suivantes:

- les émissions seront transmises selon un horaire établi, pour un ou plusieurs canaux;

- les abonnés du service de télévision à péage seront informés à l'avance de la programmation par un canal diffusant gratuitement cette information ou par un autre moyen;
- les signaux des canaux à péage seront brouillés afin d'en réserver l'accès aux abonnés seulement;
- des signaux seront intégrés aux émissions transmises afin d'en permettre l'identification.

Caractéristiques du système de commande et de relevés d'utilisation

Afin de répondre aux besoins tant de l'exploitant d'une entreprise de télévision à péage qu'à ceux des abonnés, le système comportera les aspects suivants:

- relevés d'utilisation: un compteur enregistre les choix d'émissions de l'abonné et la durée de l'écoute;
- souplesse de facturation: comme la durée de l'écoute est calculée en fonction de chaque émission, l'exploitant d'une entreprise de télévision à péage a la possibilité d'offrir diverses formules de facturation, par exemple:
 - facturation globale
 - facturation d'émissions spéciales
- données d'analyse du marché: les relevés d'utilisation par émission, joints aux statistiques courantes relatives à l'écoute, facilitent l'évaluation de l'accueil fait par les téléspectateurs à la programmation;
- sécurité: le système est conçu de façon à empêcher toute utilisation frauduleuse;

- utilisation simple: pour commander une émission, l'abonné n'a qu'à choisir le canal voulu à l'aide du sélecteur de canal (qui, dans les systèmes des grands centres urbains, serait probablement le convertisseur placé sur l'appareil) et à déverrouiller l'unité de commande TVAP. Le dispositif de verrouillage sert à protéger le système contre tout emploi abusif.

Caractéristiques de fonctionnement

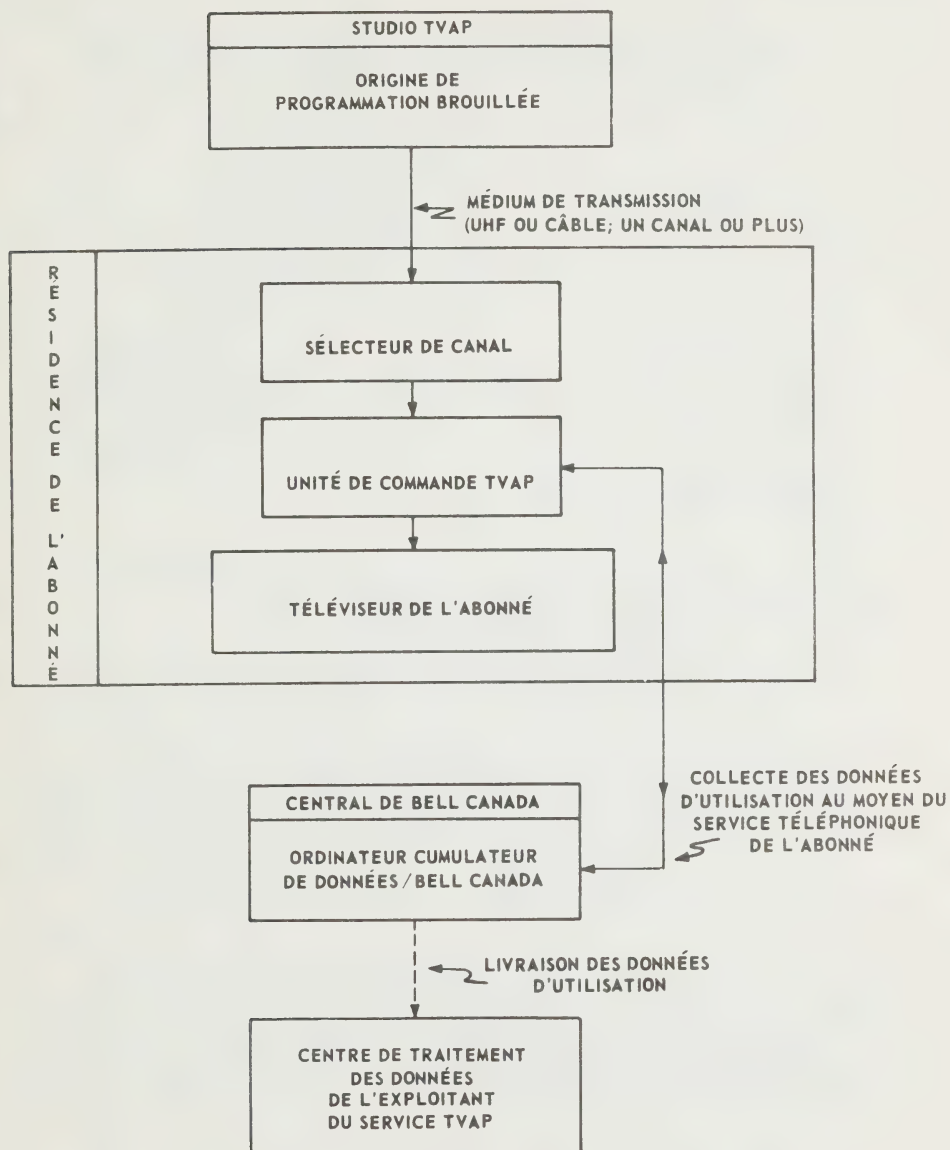
Le schéma ci-joint illustre de façon simplifiée la configuration générale du système, qui comportera les modalités de fonctionnement suivantes:

- les émissions sont diffusées à partir d'un studio de télévision à péage aussi appelé "tête de câble", où le brouillage du signal vidéo est effectué;
- les émissions sont transmises par les ondes UHF ou au moyen du câble;
- le système prévoit l'utilisation de plus d'un canal à péage;
- la collecte des relevés d'utilisation s'effectue au moyen du réseau téléphonique existant;
- la nécessité de systèmes coûteux de transmission bidirectionnelle par câble se trouve de ce fait éliminée;
- l'unité de commande TVAP est raccordée au sélecteur de canal et au téléviseur. Après avoir choisi un canal, l'abonné commande une émission en déverrouillant l'unité de

commande TVAP. Le signal vidéo d'arrivée est débrouillé, et l'unité de commande TVAP, munie d'une mémoire et de circuits de contrôle, enregistre le numéro de l'émission et sa durée;

- à intervalles donnés, un ordinateur situé dans un central de Bell Canada interroge les unités de commande TVAP, en utilisant le réseau téléphonique. Le raccordement se fait automatiquement et un code d'accès programmé permet de s'assurer si la bonne unité de commande TVAP a été atteinte; si oui, les données d'utilisation enregistrées par l'unité de commande TVAP sont alors transmises à l'ordinateur qui en a fait la demande;
- les relevés d'émissions à péage regardées par chaque abonné sont enregistrés par l'ordinateur et transmis à l'exploitant du système de télévision à péage à intervalles donnés, sous une forme qui se prête bien à la facturation et à l'analyse statistique.

SCHÉMA DU SYSTÈME
DE LIVRAISON DE TÉLÉVISION À PÉAGE (TVAP)
DE BELL CANADA





CKVU TELEVISION • UHF 21 • WESTERN APPROACHES LIMITED
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COMMENT
COMMENTAIRE

September 29, 1976.

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Received by - Regu par
SECRETARIAT

OCT 11 1976

S.R.T.C.

Dear Mr. Boyle,

Re: Proposed Guidelines for the Introduction
of Pay Television in Canada.

Our Company supports the brief on the above subject
submitted on behalf of the Private Television Broadcasters
in Canada.

We also support the submission by the Global Television
Network as one of the growing number of independent television
stations across Canada. Their brief is an imaginative and very
different approach to the problem. Those striking differences
serve to illustrate the scope and complexity of this subject.

As you well know CKVU-TV commenced broadcasting on
September 5th, 1976.

As Canada's newest English language television station
we have some unique and special concerns for our very survival
if Pay TV should come to this area via cable in the near future.
The cities of Vancouver and Victoria have probably the highest
penetration of cable in the world. Approximately 85% of the
homes in Vancouver and 90% of the homes in Victoria are served
by cable.

...2

As a UHF television station operating on Channel 21 we are almost totally dependent on cable to reach our viewers.

The very limited experience of Pay TV in the United States seems to indicate that areas heavily saturated by cable suffer a substantial loss of subscribers due to periodic dissatisfaction with the quality of fare offered on the special channel and the substantial savings to the subscriber if the entire service is cancelled.

Because of the saturation of cable in our area it may well be considered as a test market. This could create a greater problem for CKVU than perhaps any other station in Canada.

The first few years of any new station's existence are the most precarious. It will probably be some years before CKVU operates at a profit. Any further fragmentation of our television audience could forestall that day indefinitely.

Only if every American television show available to this Vancouver-Victoria area was purchased by Canadian stations and a policy of total deletion and substitution carried out on the U.S. Channels currently showing these programmes on cable would there be sufficient income to offset the potential damage caused by the introduction of Pay TV in the near future.

It is our opinion that the whole question of Pay TV is in its embryonic stage. Nothing will be gained by rushing into this next giant step in electronic entertainment but staggering damage to the Canadian Television industry could result.

Yours sincerely,

Western Approaches Limited
CKVU-TV



W. E. Bellman
Vice President

cc: (2) Secretary-General of Licensing



P.O. BOX 60
WINNIPEG, MANITOBA
R2M 4A5

September 30, 1976

COMMENT
COMMENTAIRE

59

Received by - Regu par
SECRÉTARIAT

OCT 1 1976

CELL

Mr. Harry Boyle,
Chairman,
Canadian Radio-Television and Telecommunications
Commission,
Berger Building,
100 Metcalfe Street,
Ottawa, Ontario.
K1A 0N2

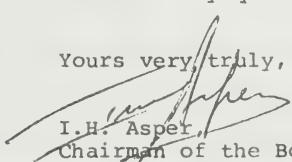
Dear Mr. Boyle:

I take pleasure in submitting a brief summary of the views of CanWest Broadcasting Ltd., operators of Television Station CKND, Winnipeg, with respect to the Commission's current deliberations on the subject of Pay Television for Canada.

It will be noted that we are signatories to the submission made on behalf of all of the Private Telecasters in Canada, as well as to the submission of the Independent Telecasters, namely, Global Communications, and CKVU-TV, Vancouver. The submission of CanWest Broadcasting Ltd. deals primarily with the situation in our own province, and the likely impact of Pay Television on us as an individual station.

In order to avoid a very lengthy submission, we have stated conclusions and recommendations only, and our views in summary form. However, we do have considerable data and evidence with which we believe we can support those recommendations, conclusions and views, and we look forward to an opportunity at the hearing to doing so, in answer to any questions the Commission may have.

Yours very truly,


I.H. Asper,
Chairman of the Board
CanWest Broadcasting Ltd.
Operators of CKND-TV, Winnipeg.

S U B M I S S I O N

TO: Canadian Radio-Television and Telecommunications Commission
FROM: CanWest Broadcasting Ltd.
(Operators of CKND-TV, Winnipeg)
SUBJECT: Pay Television

COMMENT
COMMENTAIRE

INTRODUCTION:

CanWest Broadcasting Ltd. welcomes the opportunity to express its views and make its recommendations to the Commission on the subject of pay television for Canada, and expresses its appreciation to the Commission for having chosen to proceed as it has in this very important matter. It will be noted that CanWest is a signatory to the submission made on behalf of the Private Television Broadcasters, which submission was endorsed, with the understanding that each of the signatories would be free to express their own views in addition to the industry consensus, with particular emphasis on the conditions they individually face.

As the Commission knows, CanWest Broadcasting Ltd. was licensed to carry on an English language television broadcasting undertaking, in September, 1974, as an independent, non-network affiliated station serving primarily Winnipeg, and ultimately the Manitoba region. Broadcasting commenced on September 1, 1975, and the station has just completed its first year of broadcasting. Needless to say, and as was expected, the company experienced a loss in its first year of operations, and is expecting that the loss will be repeated in its 1976-7 year. We point this out merely to draw the Commission's attention to the fact that when it decided to grant independent stations new television licences in Edmonton, Calgary, Vancouver, Winnipeg and Toronto to commence a third service in Canada, separate from CBC and from CTV,

pay television was not on the horizon, and, in fact, the Commission was latterly of the view that it was premature to introduce pay television to Canada at this time. That is a view with which we concur, for we have concluded that the introduction of any further competition into our region would seriously threaten the survival of our station.

THE WINNIPEG SITUATION

Prior to the licensing of CanWest, Winnipeg and a large part of Manitoba were served by the CBC, the CTV, KCND-TV (an American border television station) and three US television stations, whose signals are imported and distributed by way of cable.

In doing the economic analysis which led to our application for the licence we hold, we reached the conclusion that a third television station could not be viable in Winnipeg and produce anything of real quality for the community, unless the then-current competitive position (competitive for both audience and revenue to support quality programming) was altered. KCND-TV, alone, the American border station, was siphoning nearly \$2 million per year of advertising revenues from the Winnipeg market, as well as holding substantial audience. We concluded that the only means of establishing a quality television station in Winnipeg, and filling the need for strong locally-oriented broadcasting service, would be to repatriate those advertising dollars, and, as the Commission knows, the owners of CKND purchased the American television station assets from KCND-TV and closed it down, concurrent with the commencement of broadcasting of CKND-TV in Winnipeg. Thus a potentially viable quality Canadian third service could be launched.

That arrangement permitted the independent Winnipeg television station to aim fairly high in its programming, and today we can proudly say that in our first year of broadcasting we truly created something new -- something that wasn't there before we came on the scene -- over thirty hours per week of locally produced programming. With our mobile studio, we have added a new dimension to viewing in our city, and events which have never before been given an audience, from sport to rural fairs and exhibitions, to multi-cultural activities are now regularly seen by a potential audience of over 700,000 Manitobans - 70% of the total province. And we plan even greater expansion of this service in the future.

However, the Winnipeg situation is quite different from that to be found in other centres in Canada. We do not have an audience growth factor through population expansion. The population of Canada grows at the rate of 1.5 per cent per year, as a basic minimum; the population of Manitoba grows at .6 per cent per year. The population of Winnipeg grows at the rate of 1.5 per cent per year, while Vancouver grows at 4 per cent, Edmonton at 3 per cent, and the Niagara Peninsula and Toronto at 4½ per cent. The point is that the competition for advertising dollars in Winnipeg is extremely tight, and the competition for viewers is even more intense.

Notwithstanding CanWest's view that the competitive forces in Winnipeg are more than adequate, and that a new force should not be introduced, the cable television stations have, since CanWest commenced broadcasting, imported a fourth United States television signal, being the American Public Broadcasting Service, which again contributes

to undue audience fragmentation in our area. As well, the cable stations have been permitted to microwave the American signals into Winnipeg, thus improving the quality of their signal and their competitiveness for audience.

A further word and warning signal about the American PBS programming which has been allowed into our market. Without commenting on the quality of this American programming, it is already clear to us that this presents a new threat for our future growth. And what is more, it is rapidly becoming a kind of U.S. Pay T.V. in our area. PBS makes regular appeals for financial contributions from Manitobans in order to finance its programming. And Manitobans are responding.

The attached Exhibit A, being an excerpt from an April 5, 1976 Winnipeg Free Press Report, indicates that of the 6000 financial subscribers to the Fargo, North Dakota station, at least 1000 are Manitobans -- nearly 17 per cent. Our own estimate is that since April, because of the intensity of the appeals for money from Canadians, that number has increased substantially, and we have reason to believe that the figure of \$75,000 will be the amount paid this year by Manitobans for this American service. If so, what will it grow to in the future?

Perhaps the Commission might consider this problem at another time, but the fact that this kind of U.S. Voluntary Pay TV has entered our scene should not go unnoted in your deliberations.

Winnipeg has one further anomaly, which is not necessarily present in other markets, and which must be taken into account in your decision as to (a) whether or not a new competitive service

should be injected , and (b) who should deliver this service. CKND-TV's major competitor for audience, namely, CKY-TV, is part of a corporate group which controls the largest cable outlet as well as one of the strongest radio stations in our broadcast area. Thus, with cable penetration approaching 80 per cent, our major competitor is far more insulated against any further fragmentation or program siphoning, than are we.

This point deserves to be underlined. Because of the slow-population growth situation, the Winnipeg market may well be said to be fully serviced at present, without the introduction of pay television. The danger of audience fragmentation and its disastrous effect is no better demonstrated anywhere in Canada than in Winnipeg. If 50 per cent of the people who are presently served with cable television are taken away from off-air stations by Pay-TV for only five hours per week each, there would be a massive loss of audience, a massive loss of revenue, which might well result in the inability of the off-air broadcasters to perform their commitments to the CRTC in the manner in which they would desire, because the only variable cost which a broadcaster can work with in order to protect himself against competition is his programming cost, and it would be unfortunate indeed if the quality of television programming by off-air broadcasters were to suffer as a result of the introduction of a new competitive force. We know of no way to introduce Pay Television without this result unless the fruits of that service are totally committed and directed to supporting the private off-air broadcasters who are the only ones who will suffer from the success of the new service.

CANWEST'S ATTITUDE

We are not against progress; nor do we wish to appear to be attempting to protect a monopolistic position - far from it. And we sincerely salute CRTC for taking this orderly and reasoned approach to the issue of pay television. But we do raise the question: why pay television? Is there a genuine demand for it, or are we inadvertently and unwisely creating that demand ourselves by the current dialogue? Will the massive capital costs associated with it be considered a useful allocation of Canadian resources? Will the consumer spending in connection with purchasing programs turn out to be an intelligent use of disposable income, or will we be merely creating one more gadget in an already cluttered marketplace?

These questions appear to be philosophical, but it is our contention that this is the time to be philosophical and not ten years from now when we may have created as a fait accompli something which is adverse to the best interests of Canadians.

May we also observe that Canada already has pay television. The taxpayers of Canada spent over \$400 million last year paying the cost of the national CBC system. This is where we differ dramatically from the United States and why it is often dangerous to build a Canadian broadcasting system based on the American model. The public is paying for so-called "free" television on the most rational basis possible, through the purchase or rejection of advertiser products. And what is cable television if it is not pay television. So we are really talking about a new kind of pay television - perhaps better titled subscription television. The only thing that can distinguish this new service from what has gone before it is if payment is made selective on a

pay-per-program basis. We will elaborate on that point further.

But the central philosophical issue before the Commission is still "why pay television?" We believe that it would be counter-productive to Canadian television broadcasting and to the establishment of quality production in this country if pay television were to become another outlet for foreign programming. Television is one of the few industries in Canada which is not protected from foreign competition by tariffs, subsidies, grants, and the like. The feature film industry obtains financing through CFDC; television production does not. If one builds a potato processing plant in Weyburn, Saskatchewan, he qualifies for a DREE Grant of up to 25 per cent of his capital cost plus low cost government development agency financing; no real support is available to the broadcaster who is charged with the responsibility of communicating the character, culture, information and personality essential to Canadian national well-being. In the name of freedom from censorship we have already made it nearly impossible for Canadian artists, writers, musicians, actors and producers to earn a living in their own country, but that's another issue. Now we are contemplating adding a further competitive factor against them.

This is not to say that there should not be pay television, in the sense the Commission is considering. In fact, if we adhered to the fundamental argument in favour of establishing pay television, when it was conceived, intellectually, there is unquestionably a need for this service. We are speaking of the need to serve the "special interest" or "minority market". Because of the cost of television broadcasting, with notable exceptions, but in the main, free television must generally aim at a mass audience. Thus, specialty inter-

ests are left unserved, to some extent.

This is the area in which pay television could be useful. The revenue one can obtain from producing and communicating a performance which is watched by only 2000 viewers is generally insufficient to be able to attract the revenue which supports the amount of budget that would make that particular program economically possible. But if 2000 people each paid \$3.00 on a pay television station to watch that program, it might well be possible to present it to its limited audience. This applies particularly to the arts and to certain educational programs.

Thus ideally, pay television would be minority or special interest broadcasting which would fill the gap which currently exists. If that is the direction which the Commission endorses, we believe that it will be rendering an important service by the introduction of pay television. If, however, the decision is to aim the new service at the mass market, then particularly in a city like Winnipeg, the audience fragmentation that would result, may threaten a deterioration of the existing services and curtail the ability of existing broadcasters to keep improving those services.

SOME PROBLEMS WITH PAY TELEVISION AT THIS TIME

The Directors of CanWest have undertaken considerable research in respect to programming, technology, marketing and financing of both existing and potential Pay-TV systems in the United States. We accumulated considerable data, much of which flashes red warning lights to us.

We are not taking the Commission's time at this stage to set out the information gained from that research, because much of it is set out or implied in the Submission of the Private Sector Broadcasters and the Independent Television Broadcasters Submission, both of which we have formally endorsed.

However, we wish to emphasize what we perceive to be the most significant difficulties which must be overcome before a national Pay-TV system is authorized:

1. The technology for providing this service is not yet complete. Indeed there are competing techniques for distributing the new service, and until further research and implementation is complete, it would be unwise to commit tens of millions of dollars to a system which might become obsolete in a matter of years.
2. Pay television cannot be introduced on a mass appeal basis without reducing the audiences and the revenues available to private broadcasters, and without it being necessary for the regulations affecting them to be changed to allow them to compete in a new world. There is insufficient programming, both Canadian and foreign, to support a pay television system and the private broadcasting system.
3. The research on audience potentiality and consumer habits is highly speculative at this stage. We have studied most of the data available, and regard it as unhelpful, because it is fundamentally oriented to the American market, where the industry is in its infancy, and experiencing volatile results.

CANWEST'S RECOMMENDATIONS

1. Pay television, on a mass appeal basis, should be deferred, at least until the independent television stations, all of whom have been licensed within the last two or three years, are operating profitably and fulfilling their broadcasting markets successfully both in quantity and quality.
2. When pay television is introduced, it should be introduced as "minority" or "specialty" broadcasting, programming essentially those things which are too expensive for free television, or for which there is insufficient "free" audience to make that programming economically possible.
3. If and when pay television is introduced, it should be a service operated by the private sector broadcasters of Canada, because it is they who have the program experience, and it is they who will suffer the most severe adverse results, to the extent that pay television reduces audiences. It follows that it should be they as a group, which receive the revenues from this new service to replace the revenues it will take away from them.
4. The pay television system should not be such as requires the consumer to purchase a package of programs. Rather, the technology that should be approved should be such as will permit him to "pay as he views" on a selective basis. Pay television should thus be originated with off-air broadcasting so that the public is not forced to subscribe to cable television in order to receive pay television. It is only in this way that Canadians who, like so many Manitobans, are not served by cable and thus would be deprived of

service if the delivery system were exclusively on cable.

This has particular relevance in Manitoba and Saskatchewan.

5. To the extent that pay television does go ahead, all private broadcasters should be entitled to participate in it on an equitable basis, as between broadcasters serving the same territory. We suggest that the division of equity be based on the number of households served by the broadcasters in each territory, much along the lines that have been recommended in the private sector submission to the Commission. To that end, the equity should be adjusted from time to time as each broadcaster's signal is extended to service additional households.
6. Applications for pay television licences should be deferred until two or three off-air subscription TV franchises have been granted and are operating in the United States, so that the technology can be monitored, audience viewing habits measured, and the off-air system compared with the cable system. At that point the Commission could decide which technique would be more appropriate for Canada.
7. Before literally tens if not hundreds of millions of dollars are committed in equipment, hardware, transmission facilities, etc., one test area should be selected and operated for two or three years before the final plan for the entire country is chosen. Clearly, because of population density, that test area should be the Toronto and Southern Ontario region.
8. If pay television is to be introduced on a commercial, rather than a specialty interest programming basis, we urge the Com-

mission to adopt stringent rules to devise the kind of programming which will be exclusively available to pay television, and what will be left to free broadcasters. We endorse the views in general contained in the Private Sector Broadcasters' Brief in this regard.

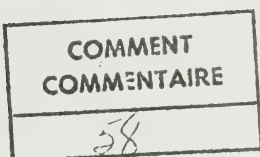
9. Notwithstanding Paragraph 8, we wonder if the Canadian brand of Pay-TV, if and whenever it comes, shouldn't be reserved almost exclusively for Canadian production. We are convinced that further analysis of this ideal is warranted before the final decision is made. We recognize the tremendous difficulty with this proposition but if it could be implemented, the results would be so valuable as to render any delay its implementation might cause to be miniscule. We will be prepared to put forward specific methods whereby this could be accomplished, but such a proposition could not be brought to reality unless the Government of Canada becomes as serious about establishing a quality production industry in Canada as it is about promoting and supporting exports of other Canadian products to international markets.
10. We also suggest that prior to the Commission's rendering its decisions in respect to the current hearings on pay television, that the attitudes of the average Canadian be sampled, professionally, to determine whether or not, indeed, any demand for pay television exists at this time.
11. We urge that the Government of Canada enact such legislation, or make such references to the Supreme Court of Canada as it may deem necessary to determine the jurisdictional issues as

between the Federal and Provincial governments in connection with pay television, so that the situation can be frozen until a comprehensive plan can be implemented, if at all. Above all, we urge the Commission and the Government of Canada not to be stampeded or influenced to take action, any action at all, based on preserving its constitutional primacy over the provinces in the area of Pay-TV broadcasting. We suggest the Federal government has other avenues of asserting and affecting this primacy without adopting a "Possession is 9/10ths of the Law" posture. We do assert that the Federal Government should take vigorous and unmistakably clear steps to preserve its constitutional authority in this area so as to preserve our industry from becoming the victim of a Federal-Provincial constitutional battle, lest we suffer the same disastrous fate as has befallen other industries which have innocently, yet near-fatally, become the football in such counter-productive exercises.

We once again recommend that the Commission exercise extreme caution in this entire matter in order to ensure that incalculable damage is not done to the already fragile Canadian private broadcasting system in the name of "progress". We look forward to the opportunity of supporting and expanding the foregoing views during the public hearings in connection with Pay Television.

All of which is respectfully submitted by
CANWEST BROADCASTING LTD.
(Operators of Television Station CKND)
603 St. Mary's Road
Winnipeg, Manitoba

September 22, 1976.



Received by - Regu gen
SECRETARIA?

OCT 1 1976

C.R.I.C.

Mr. Harry Boyle,
Chairman,
Canadian Radio-Television Commission,
100 Metcalfe Street,
OTTAWA, Ontario.
K1A 0N2

Mr. Boyle:

Re: Pay Television in Canada

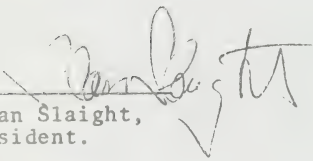
The attached presentation is a serious effort by Global Communications Limited to come to grips with the serious issue of an orderly introduction of Pay Television into this country.

Global is also a signatory to a brief submitted by the Private Television Broadcasters in Canada regardless of their network affiliation or independent status. We also endorse the submission by the Canadian Association of Broadcasters. In reference to the former, the private broadcasters' submission, we consider it necessary to go on record that, although we agree whole-heartedly with these broadcasters in their concern at the irreparable damage which could be caused by the premature or incorrect introduction of Pay Television into this country, we do not fully agree with forecasts and financial projections we have seen in reference to this brief. And, we believe, there is a better way to achieve governmental objectives than the manner outlined in this same submission.

.../2

At the same time, we believe it is in the interest of all privately-owned television companies to sign and submit this submission. I am sure the CRTC can appreciate that the preparation and finalizing of a document to represent all voices from within the privately-owned sector is a major accomplishment and a credit to the many participants.

And, just as Global agrees with the overview submitted by the private television broadcasters but not necessarily with some specifics, so I suggest would certain other Canadian independents (CKND Winnipeg, CITV Edmonton and CKVU Vancouver) thus view the Global/Independents' submission. There are certain areas where we are not all in complete accord; however, we do believe we have taken a responsible position. Our concerns are obvious but the government objectives are meritorious. We think, possibly, this plan develops a flow-through logic which eliminates many of the negative concerns and still seems a practical approach to assisting the Canadian production industry.



Allan Slaight,
President.

/krq

#58

A New Perspective on Pay TV: The Global Alternative

**Global Communications Limited
CanWest Broadcasting Limited
Western Approaches Limited**

A New Perspective on Pay TV: The Global Alternative

A submission to The
Canadian Radio-Television
and Telecommunications
Commission regarding
Pay Television in Canada
by

**Global Communications Limited
CanWest Broadcasting Limited
Western Approaches Limited**

October 1, 1976

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A Final Word

Ivan Illich, the educational philosopher, once observed that an American truck in Latin America can be a more destructive cultural force than an American tank.

The Need for Innovation

Why? Because not many people will see the tank. But by seeing the truck, thousands of people form their first ideas of what a truck should be. A truck must have windshield wipers, even in a country where it seldom rains. A truck must have luxurious padded seats, even in a country where most people walk. A truck must have vast horsepower, even in an energy-short country. The very existence of a foreign model, in other words, can be a destructive influence because it limits the imagination. Instead of devising totally new solutions that are uniquely suited to its own needs, the importing country adapts itself to solutions from abroad. It does not innovate; it adapts. It does not create; it copies. It becomes a colony in the empire of imagination.

Illich's observation is applicable to the debate over Pay TV. Instead of harnessing the available technology to create something new, Canadians are being encouraged to modify our existing broadcasting system to accommodate, hopefully with a minimum of damage, a model invented somewhere else. The probable result? We will pay a little more to make a foreign country a little richer, to make ourselves a little more like Americans and a little less like ourselves.

The American model, in this case, means commercial-free, mass-appeal programming — mainly movies, sports and special events — that are delivered to subscribers' homes via cable. The subscriber pays to receive either a special Pay TV channel, or selects and pays for individual programs of his choice.

In this presentation, we are trying to make two main points:

- (1) The mass-appeal American version of Pay TV, if imported wholesale into Canada, could be a disaster for the existing broadcasting system, and a denial of the national objectives spelled out in the Broadcasting Act;

and

- (2) The best way to meet the government's objectives for Pay TV is by a unique approach based on the exact reverse of

mass-appeal programming. Global calls this approach Target Television, and we will be describing it in detail later in this presentation.

e Dangers and the Challenge

We are an independent television company, and our submission has been endorsed by a number of independent broadcasters across the country. Global alone serves a market of eight million Canadians. Other independent stations serve Winnipeg, Vancouver and Edmonton. Together, we represent more than an assortment of individual broadcasters. In much of English-speaking Canada, we already offer an alternative to the basic television service offered by CTV and the CBC.

We speak for an important segment of the broadcasting industry when we say that we do NOT welcome the introduction of American-style Pay TV into Canada. We do NOT believe that it will confer automatic benefits on the viewing public, or on the broadcasting and cable industries. We do NOT believe that it is necessary, or even inevitable. We do NOT believe that the introduction of Pay TV will automatically further the objectives of the Broadcasting Act. We are NOT even convinced that it will be profitable, for broadcasters or cable operators or anyone else. We are concerned that the introduction of Pay TV into Canada would become yet another example of cultural and economic imperialism. At its worst, Pay TV could mean only the enrichment of a handful of American film-production and equipment manufacturing firms, at the expense of the Canadian television viewer, and to the detriment of the Canadian production industry.

It could affect the prosperity of the entire Canadian broadcasting industry. It could result in an affluent minority of Canadians paying to watch the kind of programs that most Canadians are now watching for free. In short, Pay TV could be a disaster, unless its introduction is accompanied by policies designed with due regard for the concerns of all segments, public and private, of that surprisingly fragile entity known as the Canadian broadcasting system.

We are encouraged that the government is aware of some of the dangers. In her speech last June announcing the gov-

ernments' Pay TV policy, the Minister of Communications, Madame Sauvé, enunciated three objectives for Pay TV in Canada:

- (1) "It must provide a range of programming which does not duplicate that now offered by broadcasters, and must do so without siphoning programs from the broadcasting system;
- (2) It must ensure the production of high-quality Canadian programs that Canadians will watch;
- (3) And it must ensure that programs are produced in Canada for international sale."

In our view, these three objectives reflect an admirable concern for the development of a viable Canadian production community. We share that concern. But we believe that Pay TV, if it is economically and technologically patterned after that now prevailing in the U.S., would fail to achieve those objectives, and might actually make it impossible to achieve them.

But if there are dangers, there are also opportunities. Pay TV could be structured in this country to provide the revenues necessary to create a flourishing Canadian production industry. It could mean more Canadian programs on broadcast TV, instead of fewer. It could create a new and more creative role for the cable industry in the broadcasting community. And it could provide all Canadians — not just a select group of cable subscribers in urban areas — with a genuine programming alternative. All this, we believe, could be achieved without further fragmentation of the audience that is the broadcasting industry's only real asset.

Later in this presentation, we describe our proposal for Target Television, an approach that represents a drastic departure from the structure of Pay TV as it has developed in the U.S. But innovation, we submit, is very much in the tradition of Canadian broadcasting. Every technological development in the industry's history has been accompanied by legislative and regulatory solutions that are unique, and specifically suited to the Canadian situation. Our broadcasting system may look to some like a strange hybrid of public and private elements. But, by and large, it works. We want to see it continue to work — fulfilling

even more effectively the purposes of the Broadcasting Act: "to safeguard, enrich and strengthen the cultural, political, social and economic fabric of Canada."

Pay TV: The term Pay TV is deceptive. All TV is "Pay TV", in the sense
What Is It? that somebody — either sponsors, taxpayers or cable subscribers — has to pay for what appears on the screen. This may be a statement of the obvious, but it is worth repeating here.

One of the central considerations in the Pay TV debate is the old question of value received for money paid. We believe one of the underlying objectives of broadcasting policy, although it is not stated explicitly in the Act, should be to ensure that Canadians get their money's worth from the broadcasting system.

At the moment in North America, the means of receiving, and the methods of paying, are limited only by technology and by the ingenuity of entrepreneurs. Some Canadians receive expanded cable service by buying or renting converters that deliver as many as 25 channels. Guests in many hotels are offered current movies via closed-circuit TV on a pay-as-you-watch basis. Some apartment residents in Toronto are offered Pay TV service via a dedicated coaxial cable that is used exclusively for that purpose.

In the U.S., where Pay TV has already attracted approximately 1% of the television households, viewers either pay on a per-program basis or by monthly subscription to watch programs brought to their homes by cable. And soon, they will watch over-the-air transmissions which they pay to unscramble with a decoder box. At the frontiers of technology, some viewers are receiving a form of Pay TV through the medium of home video-tape units, using purchased or rented cassettes. Major international corporations are about to introduce video discs for home use.

It is important to stress that none of these delivery systems, and none of these modes of payment, have established a position of clear dominance in the U.S. Pay TV market. The technology, and the means of marketing it, is in a state of flux.

The situation is reminiscent of the introduction of colour television to the United States. The Federal Communications Commission approved the CBS Color Wheel system and after several years of heavy investment and corresponding losses incurred in trying to make it work, the system was abandoned and replaced by the RCA shadow mask system.

The present state of technological uncertainty in the field of Pay TV makes it imperative that we move slowly and choose carefully. Otherwise, we might find ourselves saddled with a system that is rapidly becoming obsolete.

Canadians are often inclined to be an imitative people. The limits of our imagination tend to be set outside our own borders. One of the objectives of our broadcasting system, in fact, is to expand those limits. Perhaps that is why most of the discussion about Pay TV in Canada, so far, has been circumscribed by what we regard as a mistaken and dangerous assumption: that the structure of Pay TV in Canada must, inevitably, closely resemble the mass-appeal Pay TV system that has evolved in the U.S.

The American System and Why It Does Not Apply

We find it noteworthy that, in spite of all the press comment on the impending financial bonanza, no U.S. Pay TV operation, to our knowledge, is making money. We are also struck by how inapplicable the American experience is to Canadian conditions, which vary widely from city to city. The differences are so great, in fact, that we find it hard to imagine a variation of the U.S. approach that would be universally applicable in Canada.

Things are different up here. In many U.S. markets, Pay TV service is used simply as a loss-leader to achieve higher cable penetration. In some Canadian cities, notably Toronto and Vancouver, as many as 80 percent of homes with TV sets are cable subscribers. In many markets, Canadian viewers are presented with a profusion of choice not available to their U.S. counterparts. There are only a few Canadian cities where the addition of Pay TV to the cable service would significantly increase penetration; the service, to a much larger extent than in the U.S., would have to stand or fall on its own merits.

Several other factors suggest that the American experience is an unreliable guide to assessing the economic viability of Pay TV in Canada. It is the diversity of choice available to Canadian viewers — notably the choice of U.S. channels — that has resulted in the high penetration of Canadian cable TV. This same diversity is bound to affect the level of acceptance of Pay TV in Canada. A Stanford Research Institute study for the Office of TeleCommunication Policy, which attempted to forecast the demand for Pay TV in the U.S., used as its model, a city where viewers could choose between three or four stations. Against that kind of competition, the Stanford researchers concluded that the best Pay TV could hope for would be a penetration level of about 25 percent.

But what would the Stanford researchers say about Toronto, where viewers can now choose between as many as 20 stations, and where they can see — for free — more than 400 movies per month? In the past year alone, Toronto viewers have been offered — for free — *The Godfather* within two years of its theatre release; one of the most exciting series in the history of hockey, the Canada Cup; and the most exhaustive coverage ever attempted of an athletic event, the CBC's coverage of the Olympic Games. In assessing the economics of Pay TV in Canada's richest television market, it seems relevant to enquire: what could Pay TV possibly deliver to Toronto that Toronto is not already getting for free? Viewed in this light, the popular assumption of a 15 percent acceptance rate, in Toronto at least, seems somewhat optimistic, especially when you consider that average disposable income in Canada is lower than in the United States.

The Cost of Technology Pay TV on the American model is expensive to install and expensive to operate. We estimate that the capital cost could easily exceed \$150. per household.

If all Canadians were saints, this large capital investment would not be necessary. There would be no need for scrambler systems and decoder boxes, since each viewer would keep track of the Pay TV programs he watched, and scrupulously pay what he owed to the cable company at the end of the month.

Newspapers once sold their product that way, from receptacles called "honour boxes." Honour boxes are a thing of the past, and there is no place for its electronic equivalent in Pay TV. Somehow, each cable company must ensure that only those subscribers who pay for the service receive it. It is a major problem for cable companies now and it would be a much costlier problem in the era of Pay TV.

American Pay TV companies have developed a wide array of approaches to this problem of security. All of them involve sophisticated electronic systems, all are expensive, and none are theft-proof. Some U.S. cable companies send out a scrambled signal, which must be decoded by a device installed in the subscriber's home. Other companies send out an unscrambled Pay TV signal, which then is "filtered out" before it reaches the homes of non-subscribers. Some companies charge their customers a monthly rate to receive a special Pay TV channel; others use sophisticated electronic devices that enable viewers to pay to watch specific programs. The technological options are as diverse as the markets served by Pay TV. But the problem of security is never simple, and it is never cheap. If 15 percent of Canada's 2.7 million cable households signed up for Pay TV, the installation costs alone would be well in excess of \$60 million.

An expenditure that large might be welcomed by the Canadian electronics industry. But the experience with cable TV converter boxes is not encouraging. Most of the converters now in use in Canadian homes were manufactured abroad, for the excellent reason that they can be produced more cheaply in Japan or Formosa than in, say, Kitchener, Ontario. One of the most striking economic consequences of American-style Pay TV in Canada, in other words, would be a massive expenditure on foreign equipment.

If American-style Pay TV is introduced into Canada, the revenues could be enormous. If we assume a million Canadian homes become Pay TV subscribers at \$8 of \$9 per month each, annual revenues would be in the \$100 million range. Even on conservative estimates of Pay TV penetration, the revenues

**Where Does the
Money Come From —
and Where Does
It Go?**

would still be very large. If 15 percent of the 2.7 million Canadian households which are now cable subscribers signed up for Pay TV, it would generate annual revenues in the \$40 million range.

When you consider that the present cost of delivering an hour's worth of TV programming via conventional means of transmission is about four cents per Canadian viewer, it becomes apparent that the introduction of Pay TV on the American model represents a quantum leap in the amount that Canada, as a nation, is willing to invest in its broadcasting service. Even on conservative estimates, it would represent an expenditure by Canadians, in the first decade of Pay TV service, of several hundred million dollars. An expenditure of this magnitude raises serious questions of national priorities. Are we really so rich that we can afford such a huge investment simply to enable a minority of urban Canadians to watch *Jaws* in their living rooms a year or so earlier than they could see it on sponsored TV?

More important, where would the money go? We have already suggested that most of the equipment would be purchased abroad. What about the costs of programming? Assuming \$100 million in annual revenues, and assuming that government policy would be effective in ensuring that 15 percent (or \$15 million) of these revenues are devoted to Canadian programming, we estimate that \$45 or \$50 million per year must still be spent on foreign programming if Pay TV is to achieve the desired degree of penetration. Crawley Films would be thrown a bone, but Paramount and Twentieth-Century Fox would enjoy a feast.

Besides, the new competition of Pay TV could have unfortunate side-effects for the Canadian entertainment industry. Obviously, it is impossible to predict these effects with any degree of certainty. But it seems clear that a family that spends \$9 a month to see first-run features at home will be less likely to spend \$6-\$8 per person to see a play at the National Arts Centre. TV audiences are not the only audiences capable of being fragmented by Pay TV. Audiences for ballet, for cinema, for athletic events, for legitimate theatre, for opera, for symphonies — all could be affected in some degree by the new competition for the entertainment consumer's time and money.

This form of fragmentation could be significant and it should give pause to those in the Canadian production community who regard Pay TV as a potential bonanza. An infusion of \$15 million per year or more may look tempting; but it is at least possible that the Canadian entertainment industry as a whole — and by that we mean everyone from usherettes to owners of baseball teams — could be losing more than the production community gains.

The essence of the Canadian proposition is sharing. That is what Confederation was intended to promote, and that is what federalism is for: to ensure that the benefits of Canadian labour and Canadian ingenuity are distributed as equitably as possible to all sections of the country. That is why some provinces, in effect, subsidize others. And that is why the Broadcasting Act declares that "all Canadians are entitled to broadcasting service in English and French as public funds become available." The Act also states that "the programming provided by each broadcaster should be of high standard, using predominantly Canadian creative and other resources." It is difficult to see how either of these two aims can be furthered by the introduction of American-style Pay TV.

Who Gets Pay TV — and Who Does Not?

At a time when 500,000 Canadians are still without official television service, the impact of Pay TV would be greatest in precisely those areas that now enjoy the widest diversity of viewing choice. The regional disparities that already exist in television service would merely increase.

So, of course, would the cultural impact of foreign programming. For, make no mistake about it, Pay TV on the American model means only three things in terms of programming: movies, sports and specials. By far the richest source of these audience-building features is the United States. The Americans, after all, virtually invented mass entertainment, and they are still the world's leaders in its production. Canadians, initially at least, simply will not pay \$8 or \$9 a month to watch "more of the same."

In return for this fairly substantial entertainment investment, they will demand blockbuster programs; and the U.S., at the

moment, holds a near-monopoly on that particular commodity. We appreciate that Canadian content requirements will be a significant feature of whatever structure for Pay TV that the government chooses to adopt. But, we believe that however worthy the regulators' intentions, their options in this regard are severely limited.

How much Canadian content can be imposed on the system before it becomes unmarketable? That is one of several delicate dilemmas that the regulators of Pay TV will face.

Can Siphoning Be Stopped?

Another problem will be how to regulate siphoning, by which we mean the tendency of Pay TV to appropriate the strongest audience-attracting features, including those that formerly appeared on traditional TV. Canadian broadcasters are seldom unanimous on anything but, all of them — public and private, large and small — are utterly convinced that siphoning must and will occur, despite the government's best-intentioned efforts to prevent it. Although the most flagrant instances of siphoning could probably be discouraged, there is no way to prevent it entirely. The economics of the matter are simply too brutally one-sided.

With heavy capital investment and the potential of \$100 million in annual revenues, Pay TV will be in a position to outbid public and private broadcasters for anything that large numbers of people want to watch — and Pay TV may have to outbid, in order to attract and keep subscribers. Once established, the monster must be fed. If Pay TV had been operating in Canada for several years, could regulations have prevented Pay TV from outbidding the CBC or CTV for the Canada Cup series, thus denying it to the majority of Canadians? Or could regulations have prevented the argument that there could only be a Canada Cup series if Pay TV revenue were available? And could any agency, human or divine, have prevented Alan Eagleson from selling TV rights to the series for as much as they would fetch?

All of these pressures could arrest or reverse the present trend towards more quality, both Canadian and foreign, in conventional television. Every time a traditional station loses a good

movie to Pay TV, it will be forced to substitute an inferior one, or settle for ones which have already had extensive plays on Pay TV. The result would be further audience loss, for the over-the-air broadcasting systems. This would be translated into cost-per-thousand efficiency comparisons that would force either a reduction in the broadcaster's advertising rates, or a movement by advertisers to other media. Either way, lower revenues for Canadian broadcasting might result, and a deterioration of programming — including Canadian programming — might follow. While we are still wrestling with this new term — siphoning — the old foe — fragmentation — must also be considered.

In some large Canadian cities, the introduction of Pay TV would have a significant effect on cable penetration. In Edmonton, for instance, cable subscribers have been receiving only one U.S. commercial network, instead of three. This has kept penetration levels in the 40 to 50 percent range. The introduction of Pay TV would attract more cable subscribers, and could have a significant, and perhaps disastrous, impact on local broadcasters. Their market would be fragmented in two ways: they would lose audiences directly to Pay TV; but they would also lose audience by virtue of the fact that people who had signed up for cable in order to receive Pay TV would also tend to watch U.S. channels carried on cable, instead of Canadian ones.

Fragmentation

For some Canadian broadcasters, this double-edged fragmentation would not merely threaten their profits, it would threaten their survival. Already, fragmentation has driven the first Canadian TV station off the air; CHOV-TV in Pembroke, Ontario, ceased operations at the end of August, a victim of too many choices offered by cable. While it is hard to imagine a similar outcome in Edmonton, for instance, the audiences for Canadian stations have already been severely decreased by the availability of even one additional U.S. channel on cable. The addition of Pay TV to the equation could make a difficult situation unendurable.

Bilingualism: The bilingualism requirement, which has received surprisingly little discussion in the Pay TV debate so far, is another example of a Canadian need that cannot easily be met by the American system of Pay TV. There is a legislative requirement that Canadian television, unlike its U.S. counterpart, must be made available to as many Canadians as is financially possible, and that the service be made available in the languages of both founding cultures. These considerations must influence our choice of technology.

Another Difference

Should English and French versions of the same program material be transmitted simultaneously (a technically possible alternative), or at different times, or even to different homes at different times, at the subscriber's option? Most major U.S. feature films are now released in several different languages, to permit simultaneous exhibition worldwide. This fact alone presents both an opportunity and a challenge for Pay TV in Canada. If, in fact, programs were bought for Canadian use in both French and English, the costs might well be less than if separate French and English agencies made separate deals with American distribution companies. Most taxpayers would be delighted at the prospect of bilingualism saving them money.

It should be borne in mind that the Canadian broadcasting system now provides over-the-air television service in both languages to most Canadians. More than 90 percent of all Canadians can now watch television in either French or English. Would American-style Pay TV even contemplate that kind of Canadianism?

**The Threat of
Obsolescence**

If bilingualism will influence our choice of Pay TV technology, so will the changing nature of that technology itself. The dynamic nature of broadcast technology has wisely been recognized in the Broadcasting Act, which declares that "the regulation and supervision of the Canadian broadcasting system should be flexible and readily adaptable to scientific and technical advances." In other words, we must choose our machinery with due and prudent regard to what might get invented next; and nowhere is this more true than in the notoriously fluid area of cable TV technology.

One of the costliest dangers of importing, wholesale, the American system of Pay TV is that, after spending hundreds of millions of dollars to get the system in place, we might find ourselves burdened with a lot of obsolete or inappropriate machinery. What if we discover, after spending millions on a limited form of subscription service, that a pay-as-you-watch system is what Canadians really want?

This argument assumes a special urgency when you consider the spectrum of services that *could* be incorporated into a cable network: remote computer access, electronic shopping, monitoring services, security services — a whole catalogue of specialized functions that could be delivered to the home via coaxial cable. These applications are usually referred to as Broadband Communication Network Services, and there are studies indicating that some of these applications could be commercially feasible in the near future, if they were combined with a selective type of Pay TV service. If this is true, and we are not wise in our choice of technology, we could find ourselves stuck with hardware that impedes the contribution that cable TV can make to Canadian society. Should we not move slowly? And if there must be a decoder box in every Canadian living room, should we not insist that it be the kind of box that can accommodate broadband services that may be offered in the near future?

The Global Alternative

So far in this submission, we have dealt mainly with the potential dangers as we see them of introducing mass-appeal Pay TV into Canada.

We now turn to an alternative approach which we, at Global, regard as novel and exciting. It would provide Canadians — *all* Canadians — with a genuine programming alternative. It would funnel at least \$30 million a year into Canadian production. It might create a substantial Canadian exporting industry. And it would do so by creating nothing less than a new species of television programming. What we propose has never been attempted before, because the technology and economics of television did not permit it: high-quality special interest programming. We call it Target Television.

It is our contention that Target Television is inevitable as cable TV develops in the United States, and as video cassette or disc systems become commonplace. Canada, because of government initiative, and uniquely high cable penetration levels, has an historic opportunity to lead the world in this field. Putting it as boldly as possible, we are proposing that Canada become world leaders in the production of TV programs for people who are *not* watching TV.

Target Television The *Saturday Evening Post* is dead. But *Yachting* carries more advertising pages than any magazine in America. *Look* and *Life* are dead. But another picture magazine called *People*, which specializes in personalities, is flourishing. *Macleans* Magazine was in dire straits until it changed content and format to a magazine of news and information. At least half a dozen magazines have been launched in the past two years to cater to the new boom in citizens-band radio. City magazines such as *Toronto Life*, whose focus is local without being parochial, are flourishing all over North America. All of these magazines have one thing in common: excellence, the result of skill and money.

We think the point is made: general interest magazines are largely a thing of the past, mainly because television claimed the time and attention of many people who are interested in

the broad spectrum and nothing in particular. But high quality special interest magazines — those aiming at a narrow audience with well-defined interests — are prospering.

Much of the oft-expressed dissatisfaction with television programming is founded on this same principle. Because of its mass-appeal nature, the ability of television, as we know it, to cater to specialized tastes and interests with excellence is extremely limited.

And yet, the interests are there. What network programmers view as a "mass" audience for expensive productions is actually a vast assortment of individuals who, between them, nourish a vast assortment of passionate interests. There are Bridge nuts and Scrabble freaks and rose-breeders and poodle-fanciers and war-game enthusiasts and clarinet players and macramé craftspeople and amateur experts on everything from steam tractors to 1920's jazz to the occult studies of William Butler Yeats.

Many of these same people are also extremely interested in their work. Their specialized skills and knowledge are the foundation of our society. They know how to audit balance sheets and remove tonsils and a million other things; and all of them want to know more about their specialty. Target Television of exceptional quality would offer these people what television has never before been able to deliver. It would constitute a new phase in the development of the medium and it could be pioneered in Canada — if we are bold enough to accept the innovative challenge that Pay TV presents.

Cable companies would allocate one additional channel, which would be used for all-Canadian program material. These programs would be aimed at small, specialized audiences: all the interests we have mentioned above, plus hundreds more. In spite of their narrow scope, these programs would be designed for what Nicholas Johnston, the outspoken former FCC commissioner, called the largest television audience of all: the audience that is *not* watching television.

**How
Target Television
Would Work**

The programs would be produced by Canadian production companies. They would be financed by a requirement that each cable company spend at least \$1 per month per equivalent subscriber on these programs. We assume that, in most cases, this additional cost would be passed on to the subscriber by the cable company, through an additional charge of \$1 per month. This would immediately produce revenue in the range of about \$33 million per year. We think it advisable that the cable companies should be allowed to include in these costs an allowance for administering the service, with a limit of, say, 15 cents per equivalent subscriber. This would mean an immediate \$5 million in additional revenue to the cable companies, but would still guarantee \$28 million in distribution revenue in the first year for new Canadian production.

Twenty-eight million dollars may not seem large when compared to the gross revenues contemplated for mass-appeal Pay TV. But when one realizes that it is more than twice CTV's budget for Canadian entertainment programming, the full impact on the production industry and quality of product can readily be understood.

The mathematics are fairly simple. But when compared to other Pay TV proposals that have been suggested, they are fairly dramatic. Assuming the popular estimate of 15 percent of total Pay TV revenues going to Canadian production, it would require two million Pay TV subscribers — two-thirds of all present cable households to generate \$32 million for Canadian production. These two million subscribers, however, would be paying more than \$200 million annually for Pay TV service.

Where would the rest of that \$200 million go? Much of it, inevitably, would go to foreign equipment manufacturers and program producers. But under Global's proposal for Target Television, every additional dollar paid by subscribers would remain in Canada. And the Global plan leaves about \$160 million to be deployed elsewhere in the Canadian economy.

The cable operators would select and schedule the programs but would maintain an arm's length relationship with the production companies. The cable companies would decide what special interest programs to commission. But to avoid the potential for abuse, we recommend that they not be allowed

to own a beneficial interest in any Canadian production firm. Without this restriction, a cable company could set up its own production subsidiary and overpay the subsidiary for its own inexpensive productions, thus turning the system into a sham.

We submit that the cable companies are uniquely qualified to determine which special interest programs are most likely to interest their subscribers. Because of their door-to-door relationship with their customers and potential customers, they are in a position to know their audiences, to conduct pinpoint research and to obtain continuing feedback to discover their specialized interests, and to commission programs catering to them.

One objection that could be raised is that the expenditure of an extra \$1 per month on targeted programs would become, in effect, a tax on cable subscribers. We do not think so. The cable companies would be charging more, but they would be offering an additional service. It is no more a tax than, say, the rate increases that were partially a consequence of the CRTC's requirement for community programming.

Nobody consulted the subscribers, either, when the CRTC ordered cable companies to carry all-Canadian signals. Nor were they consulted when the cable companies decided to extend their service by adding additional channels — shopping guides, airline flight information and so on — and then increased the price of the service. The value of these additional services to the average subscriber is fairly marginal.

The system we are proposing has an excellent chance of becoming an important part of Canadian viewing patterns. The audiences for any one program would not be large, because the essence of our proposal is that the programming must appeal intensely to limited, specifically targeted audiences. But the satisfaction level could be very high indeed. As part of the preparation for this submission, we have discussed the Target Television proposal informally with a number of people whose only connection with television is that they watch it once in a while. Initially, they found it hard to imagine how such a programming format could attract viewers — until we mentioned the possibility of a program that coincided with

their own special interests, and produced at a level of excellence, that would be second to none. A Bridge player expressed doubts until he was asked: "Would you pay a dollar a month to see the world's best Bridge experts, using the most advanced production techniques, demonstrating bidding systems or discussing Bridge psychology every week?" The Bridge player said he would, gladly. We got the same reaction from an amateur bicycle repairman, a war-games enthusiast and a disciple of Bob Dylan.

Although we cannot predict them with certainty, we suspect that several desirable consequences would ensue if our proposal were adopted. The cable companies would probably see fit to set up a national network, or even two or three competing ones. (In this proposal, it is no longer necessary to have a single buying cartel for foreign programs, since all the programming would be Canadian). These networks could then pool the available funds to produce high quality special interest programming with more than local appeal. We think that, within a few years, a significant export market would develop for Target Television programming; after all, a Bridge enthusiast is a Bridge enthusiast in Bangkok, Boston or Belleville. The television industry worldwide will be entering a period of transition similar to that experienced by the magazine industry in the 1960's: a shift from general interest to special interest the only question being when. At the very least, the demand for Target Television programming is bound to increase, especially when cassette and other video retrieval technology becomes common in the homes of North American TV viewers.

Obviously, the programs would have to be excellent. We are not advocating boring, low-budget programs. We are saying that the same creativity and commitment and technical skills that have characterized the best programming can also be applied to special interest shows. Until Sesame Street was conceived, nobody suspected that using TV to teach kids to read could be anything but dull. We are advocating the same approach to Target Television: big budgets and big thinking — for example, a thirteen week series on child psychology produced for \$500,000. If each hour cost an average of \$30,000, the first year's production fund of \$28 million would yield close to 1,000 hours of special interest programming. Each program

would be repeated several times to ensure maximum viewer convenience. Thus, even in the start-up year, \$28 million could provide 6-8 hours of programming daily. And the effect would be cumulative, so that the choice of programs would be even wider in succeeding years.

It is even possible that co-production arrangements might increase the amount of money available for special interest programming. The Canadian Institute of Chartered Accountants, for instance, is currently producing videotape cassettes to keep its members informed of recent tax cases and changes in accounting procedures. With Target Television in operation, it is possible that such professional groups might join with the cable companies in producing programs for their members. Special interest magazines might also become partners in co-production.

The potential is great, and we are confident that Target Television could, in the medium to long term, provide an important source of revenues for cable companies. The extra \$1 per month might cause some subscribers to cancel. But the 15 percent administration fee is designed to more than offset this initial loss. And over the longer term, as subscribers became aware of the value of Target Television, it would become a major selling point.

There is another advantage. The system could be instituted fairly quickly, and with no additional investment in experimental technology. If the production fund were established immediately, strong programming could be on the screen within a year. Within five years, the production industry would have received between \$100 and \$150 million from sales to Canadian cable alone.

Again, let us stress now Target Television would satisfy the government's criteria for Pay TV:

- (1) It would provide a range of programming which does not duplicate that now offered by broadcasters and must do so without siphoning from the broadcasting system.
- (2) It would ensure the production of high quality Canadian programs that Canadians will watch.
- (3) It would ensure that programs are produced in Canada for international use.

The main drawback, we believe, is that it has never been tried before. But it provides an opportunity to demonstrate that the Canadian broadcasting community can innovate as well as imitate.

The Need for Test Marketing

So far in our submission, we have tried to outline the dangers of mass-appeal Pay TV, and to suggest an alternative approach — Target Television — which would achieve the government's objectives for Pay TV without harming the existing broadcasting system.

If, however, the CRTC decides that Canadians must have mass-appeal Pay TV, then it seems to us not only prudent but mandatory that the service be subjected to an adequate period of experimental test marketing before being introduced across the country.

More Questions Than Answers

At least one certainty has emerged so far: there are far more questions than answers. Should the signal be delivered over-the-air or by cable? Who will subscribe? Will the novelty result in an initial flurry of subscribers? How long before disillusionment sets in? How many will subsequently cancel? How many subscribers will continue? What will the turnover rate be? What type of service is best? Will it be subscription or selection? What quality of picture and sound is required? Must the programming be first-run movies? How much Canadian content will subscribers accept? What kind and of what quality? How much money would be available for Canadian production as a result of Pay TV?

What will the impact be on conventional broadcasting? What will the impact be on cable TV penetration? What will the impact be on the cost of programming in Canada? What will the impact be on the Canadian production community? What will the impact be on competing forms of mass entertainment and cultural events? How much should the viewer pay? How serious is security? How much theft will occur of the

service and of the decoding devices? How will foreign film and program producers react? Will films be offered at bargain rates? Will rates increase sharply once the hardware has been installed?

The testing area should be large enough to provide answers to all these questions, and embrace demographic conditions that are indicative of the country as a whole; a testing area that includes regions of high viewer choice such as Toronto, as well as rural areas where viewing choices are limited. It should be an area large enough to justify the capital costs of the necessary equipment.

The test period should be for two or three years — long enough to demonstrate how such a system would actually perform if it were extended across the country. If it were found that the system did not meet national objectives, then it should be dismantled. But if it were demonstrated that it could deliver programming of a kind not now available, that it could provide a stimulus to the Canadian production community and that conventional TV could co-exist with it, then the system should be extended nation-wide.

We respectfully suggest that the present coverage area of Global Television fulfills all these requirements. We serve the country's largest market. And with 100 cable companies carrying Global's signal, our territory provides ample opportunities to experiment with various technologies, various security systems, various marketing approaches and various contractual arrangements.

The Global Grid

An over-the-air experiment offers several additional advantages. One, that it would be relatively inexpensive. In fact, using Global's territory as a test area would be the cheapest possible method of test-marketing on such a comprehensive scale. The costs of installing additional transmitters and antennae at Global's present transmitter sites would be about \$2.5 million. Operating costs, including the costs of a second microwave channel, would be about \$300,000 a year.

Global Centre is already equipped with high quality broadcast tape recorders and telecine chains that are needed for the origination of film or tape programming. And it is linked directly to the CN/CP Telecommunications Network across Canada and to the AT&T Network in the U.S. and its worldwide satellite connections. These facilities would make it possible for Pay TV subscribers to watch events live from anywhere during the experimental period.

Two, it would be flexible. The Global network is a chain of regional transmitters, located on the highest mountains in the corridor between Windsor and Ottawa. We rely primarily on cable to deliver our signal to urban viewers, while our transmitters deliver a clear signal to rural areas and small towns where cable will never penetrate. Our coverage area includes about eight million Canadians in Southern Ontario, and more than 100 cable companies are licensed to carry our signal.

A Proposal for a Scaled-up System

If the government decided, after the test period we propose, to launch Pay TV on a nation-wide basis, we believe the Global experiment will already have demonstrated that a hybrid mix of cable and over-the-air is the most appropriate mode of delivery.

Results of the Global experience, we believe, will also point to the most appropriate structure for a national mass-appeal Pay TV system. We have already argued that such a service is neither necessary nor desirable. But here, for the record, is how we believe such a system could be structured.

**If
Mass Appeal
Pay TV:
The Global
Approach**

Mass-Appeal Pay TV — Global Style

A new national distribution company would be established to receive licenses from the CRTC for remotely-controlled, regionally located, interconnected television transmitters equipped to transmit encoded Pay TV signals with the objective of ultimately reaching all Canadians.

The company would acquire, produce or commission programs for this new service. It would schedule, promote and air these programs over the distribution grid. It would enter into agreements with individual cable companies, allowing them to act as exhibitors in various ways to their subscribers.

It would make Pay TV service available to non-cable subscribers by offering decoding devices on an individual basis to those users, either on a per-program basis, or perhaps by monthly subscription. The new company would offer program service in both English and French and would be owned by all private Canadian broadcasters, using a formula of ownership which relates to the number of Canadian viewers that each broadcaster is licensed to serve.

Why Broadcasters Must Operate the System

There are many reasons why we believe the distribution company should be owned by TV broadcasters dealing at arm's length and on a contractual basis with cable companies who would, in effect, be the exhibitor companies in this process. First, because broadcasters already know how to create programs that Canadians will watch. Programming is our business. We produce programs, we schedule them, we promote them and we believe in them. In addition, some of us own transmission facilities that could be adapted for Pay TV transmission, at considerable savings over the cost of new facilities.

Cable TV operators, by contrast, although they have made considerable progress in developing community-access programming, are not normally involved in the programming process. Their areas of expertise lie elsewhere: in hardware, in dealing with their subscribers, in delivering a clear signal to as many homes as possible. We believe their skills and ours complement each other; and that our separate areas of expertise should be further developed in any form of mass-appeal Pay TV that might evolve.

It has been argued that since cable operators must invest substantial sums in Pay TV hardware, they ought to have a say in the programming they are selling. The argument ignores the fact that cable operators, with no involvement in the programming of conventional TV, have already managed to build a successful industry. They have been content to rely on broadcasters' programming expertise to build their audiences. There is no reason why the development of Pay TV should not proceed along the same lines.

What about the argument that a Pay TV system operated by private broadcasters would be bound to fail, since they have a vested interest in preserving the audience for conventional TV? The Global concept provides some answers. Our proposal envisions a substantial investment in the transmitters needed to broadcast the encoded Pay TV signal to private subscribers, as well as to individual cable companies.

In addition, the new company would be widely held and no individual or groups would have outright control. The policies would be set by a board of directors, but day-to-day decisions would be left to management, whose goal would be to return a profit on the shareholders' investments.

But what if Pay TV isn't profitable? We think this is a possibility. If cable companies ran the system, it would be in their interest to demand less stringent regulations of siphoning to promote Pay TV's profitability. But broadcasters could not make the same demands because increased siphoning could seriously damage their investment in conventional TV stations. Thus, broadcaster-owned Pay TV network would tend to promote a more equitable balance of mass-appeal programs between pay and conventional TV.

The hundreds of different Canadian cable systems, each with their own management skills and financing, marketing and technical facilities, could deal with the proposed distributing company in a variety of contractual ways. If they wished to defer making any substantial investment in Pay TV hardware until its success was assured, they could keep their involvement to a minimum.

The Cable Concept

All such arrangements would be based on the cable company allocating one channel for Pay TV service; the cable company

might even charge the distributing company a fee for this channel based on the number of Pay TV subscribers. From there, the relationship between the distributing company and the cable exhibitors could take several forms:

The cable company could simply allow the distributor company to charge its customers for Pay TV service, in the same way as the distributor would charge those customers who are not cable subscribers, and are receiving the scrambled signal over-the-air.

The cable company might agree to receive the scrambled signal and distribute it in that form to its customers — and then, under contract, market, install and service the decoder boxes.

The cable company might undertake to receive the encoded signal at its head-end and then use some different form of security system to distribute the signal to its subscribers more effectively. Of course, some systems might opt for a simple arrangement and then when the economics and technology are proven, install more sophisticated hardware, which might also serve other broadband communication purposes.

A System for Everybody

The service would be widely available, not just to a favoured few in large urban areas. Our proposal would deliver Pay TV service not only in the big cities, but also in those areas where entertainment options are fewest. Subscribers in heavily populated areas would receive the scrambled signal via cable; others would receive it over-the-air on their antenna — just as non-cable viewers now receive Global Television.

Consider the Province of Saskatchewan, which has virtually no cable TV penetration now, and which by even the most optimistic estimates, because of its widely dispersed population, could never achieve penetration levels higher than 50 percent. Is this entire Province to be denied initially a service that Toronto will receive as a matter of course? The Broadcasting Act says it should not happen, and so do we.

The service would be live. It would have access to the international microwave grid that covers North America, and to satellite transmissions from overseas. A championship prize-fight from Zaire, a pop concert on the Isle of Wight, could be relayed instantaneously into Canadian living rooms.

The extension of conventional television service could be facilitated by this method of Pay TV service. As the third television service becomes established in Western Canada, for example, they are required to build additional transmission facilities in the region they are expected to serve.

In most cases, these areas are not able to contribute enough advertising revenue to offset the costs of the facilities involved. If Pay TV transmission facilities were combined with the conventional service, the cost of its facilities would be considerably reduced and extension could take place more rapidly.

Our proposal offers the potential of a Pay TV service which would simultaneously provide high quality recorded or live programs and events to all Canadians through a combination of broadcast transmitters and cable systems. But would it be more costly than simply relying on cable television alone?

Let us consider Global's coverage areas as an example: approximately 100 cable systems receive the Global service. If each system were to install sufficient facilities to play videotapes that might be copied at a central distribution point, we estimate that at the very least they would spend \$25,000, therefore, a minimum of \$2.5 million would be required.

Does it Cost More?

The cost of installing additional transmitters and antennae at Global's present transmitter sites would be approximately \$2.5 million. A second microwave channel would have to be added to the existing service and the transmitters would, of course, have to be maintained. These operating costs would be approximately \$300,000 per year. However, the operating costs involved in running the tape distribution service to each cable system would actually be higher! Assuming each system would play the programs at the same time to be able to effectively promote the service, 100 copies would have to be produced

and shipped and each system would need various personnel to operate and maintain these facilities. These costs as well as the costs of videotape would cost between \$300,000 and \$600,000 per year in the Global grid alone.

The single system approach of using cable transmission and over-the-air transmission not only provides a vastly superior service to everyone but also is less expensive!

**A
Final
Word**

As our final word, we think it appropriate to pay tribute to the process of which our submission is a part. The government announced a policy on Pay TV last June and asked the public and all interested parties for submissions on how that policy should be implemented. Framing such submissions can be an exhausting process. It certainly has been for Global Television. But it has forced us and the entire industry to step back from the daily minutiae of broadcasting, and to consider the larger questions: where is our industry going, and how can it best serve the national interest?

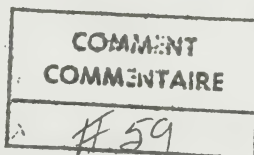
In this process of research and introspection, we discovered some new answers. When we began researching this submission, we were frankly doubtful that the government's requirements in favour of Canadian production could possibly be satisfied within the context of Pay TV.

Later, we came to realize that Pay TV does NOT have to mean Pay TV on the American model. And that led to our alternative proposal for an all-Canadian special interest Pay TV channel.

We are proud of our proposal. We think it recognizes the potential of the Canadian production community. And we are confident that, in spite of its innovative nature, the Target Television concept will receive the careful consideration it deserves. It is much more than a compromise solution to the Pay TV dilemma. It is an opportunity for the broadcasting industry, and for Canada as a whole, to innovate instead of imitate.

NATIONAL CABLEVISION LIMITÉE

Le 1er octobre 1976.



Received By - Reçu par
SECRETARIAT

OCT 1 1976

Conseil de la Radiodiffusion
et des Télécommunications Canadiennes,
100 rue Metcalfe,
Ottawa, Ont.

Comp. de: Monsieur Guy Lefebvre,
Secrétaire général

Cher monsieur,

Je vous fais tenir avec la présente le mémoire
conjoint d'un groupe de câblodistributeurs du
Québec et de producteurs du Québec concernant
le développement d'une télévision à péage
canadienne originale.

Je vous prie d'agréer l'expression de mes senti-
ments les meilleurs.



Jacques Duhamel,
Vice-président, Affaires Corporatives
et Secrétaire

JD/pc

pièce jointe

Mémoire
au
Conseil de la Radiodiffusion
et des Télécommunications Canadiennes

Le développement d'une télévision
à péage canadienne originale:

Création de Société d'édition électronique

Ce mémoire est présenté par:

Cablestrie Inc.
Cablevision Nationale Ltée
Cablevision du Nord de Québec Inc.
Cablovision Inc.
Lachute Cablevision Inc.
Signal CATV Enrg.
Télécabre de Québec Inc.
Télésag Inc.
Transvision Magoq Inc.
Transvision North Hatley Inc.
T.V. Drummond Inc.

Ciné-Vidéo Inc.
Les Productions Pierre Lamy Inc
Cinépix Ltée
Rose Films Inc.

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I INTRODUCTION

Suite à l'avis public du CRTC émis le 30 juin dernier sollicitant des opinions concernant le développement de la télévision à péage au Canada, il nous fait plaisir de soumettre le présent mémoire.

Il convient que les plus importants câblodistributeurs du Québec et les producteurs indépendants représentant près de 80% de la production québécoise des 10 dernières années qui sont les signataires de ce mémoire prennent position pour que le développement de la télévision à péage canadienne soit harmonieux.

Nous pensons que les câblodistributeurs doivent avoir un rôle important dans ce développement harmonieux de la télévision à péage, car c'est le point de départ du développement des canaux à péage (service d'abonnements).

La situation qui prévaut pour les entreprises de câblodistribution du Québec les oblige à suivre des étapes dans l'introduction de la télévision à péage sur leurs territoires licenciés.

Avec l'aide des producteurs indépendants, ils doivent d'abord améliorer les produits qu'ils offrent à leurs abonnés sur le service standard (qu'il s'agisse du service de base ou du service supplémentaire).

Ils pourront financer cette étape, en obtenant des autorités réglementaires un redressement tarifaire à cet effet, (selon la formule du tarif combinée).

Le moment venu, pour les câblodistributeurs, d'introduire des canaux à péage de façon sélective sera déterminé par la conjoncture des paramètres suivants:

- a) le développement technologique
- b) la situation financière de l'entreprise
- c) le niveau de pénétration
- d) la quantité et la qualité des produits disponibles à offrir.

C'est dans cette optique qu'il faut lire le présent mémoire.

II LA SITUATION CANADIENNE (incluant les incidences américaines)

Beaucoup de documents publiés récemment donnent une bonne connaissance de la situation canadienne et américaine concernant le développement de la télévision à péage.

Nous allons nous limiter à faire ressortir quelques éléments qui distinguent la situation canadienne de la situation américaine.

USA

225 millions d'habitants.

La population est relativement répartie sur l'étendue du territoire. On y retrouve une centaine de centres urbains importants.

Il y a un seul groupe linguistique important: anglophone.

La câblodistribution est surtout présente dans les régions rurales et semi-rurales. Elle est à peu près absente des régions urbaines.

CANADA

22.5 millions d'habitants.

La population est répartie sur une bande étroite le long de la frontière américaine. On y retrouve seulement trois centres urbains importants.

Il y a deux groupes linguistiques importants: anglophone et francophone.

La câblodistribution est surtout présente dans les villes.

USA

Les foyers câblés représentent une pénétration de 16%.

L'industrie cinématographique et de production vidéo est la plus importante au monde. Elle est colossale.

CANADA

Les foyers câblés représentent une pénétration de 40%.

L'industrie cinématographique et de production vidéo est faible et menacée.

Le système de radiodiffusion (broadcast) est puissant et en excellente santé avec ses trois grands réseaux privés et son réseau éducationnel.

Le système de radiodiffusion (broadcast) se dit faible et menacé.

Les promoteurs de la télévision à péage sont du secteur privé, non réglementé, notamment le groupe Time Life Inc..

Le secteur public et le secteur réglementé entendent jouer un rôle prépondérant dans la télévision à péage.

Les éléments que nous venons de mentionner ne sont pas exhaustifs, mais ils suffisent pour établir que le développement de la télévision à péage au Canada sera différent de ce qu'il est aux USA.

III LA POSITION STRATEGIQUE

La position stratégique des câblodistributeurs et des producteurs du Québec dans le développement d'une télévision à péage originale qui convienne à la situation canadienne repose sur les raisons suivantes:

- Ils représentent des grands segments de l'industrie de la câblodistribution et de la production au Canada.
- Le Québec est le lieu de concentration du milieu francophone canadien et la dimension francophone du Québec représente un facteur décisif dans le succès de la télévision à péage canadienne.
- Les territoires licenciés des câblodistributeurs concernés recouvrent des zones urbaines dont le potentiel d'abonnés est important et la production canadienne doit rejoindre ceux à qui elle se destine. Les services sélectifs ne pourront se développer avant que le service standard atteigne la majorité et réponde aux besoins de celle-ci.
- L'introduction des convertisseurs de fréquence, la mise en place de Microbec Inc. et les expériences avec notre réseau de distribution (notamment pour le projet CECO) place l'industrie de la câblodistribution à l'avant-garde de l'effort nouveau qui doit être fait en collaboration avec l'industrie de production.
- Montréal et ses environs constituent un des trois grands centres urbains du Canada.
- Pour être présent sur le marché international, la production canadienne doit trouver sa position par rapport aux autres producteurs internationaux et développer des modes d'échange viables.

IV LA PROBLEMATIQUE

Le plus grand danger pour l'industrie de la câblodistribution est de considérer l'avènement de la télévision à péage comme une panacée et d'oublier que ce qui importe c'est le développement de l'industrie dans toutes ses dimensions plutôt que le développement galopant d'un service qui pourrait compromettre le développement de l'ensemble.

Le premier élément de problématique auquel fait face l'industrie de la câblodistribution est de bien se définir et de se situer sur l'échiquier des media de communication selon sa spécificité.

Le second élément de problématique pour l'industrie est de faire une critique constructive de sa situation tant au niveau du contenant que du contenu dans l'ensemble canadien des média électroniques. Cela implique pour les câblodistributeurs l'amélioration constante de l'état de leurs systèmes et de l'état des services de communication offerts à leurs abonnés.

Le troisième élément de problématique pour l'industrie est de procéder au développement harmonieux de la télévision à péage en tenant compte des solutions trouvées aux deux premiers éléments.

V LES SOLUTIONS

1) Bien définir l'industrie de la câblodistribution

Si l'industrie de la câblodistribution limite sa définition à être un distributeur électronique sans responsabilité sur les contenus qu'il transporte, la spécificité du médium s'en trouvera dénaturée et l'importance de l'industrie en sera réduite d'autant.

Cela ne veut pas dire que la fonction de distribution électronique est facile. Bien au contraire, il reste beaucoup à faire pour que l'industrie de la câblodistribution assume complètement et adéquatement cette fonction. Cela implique autant la segmentation des systèmes pour accroître la flexibilité des circuits à suivre pour livrer au maximum de clients le maximum de produits, que l'interliaison des systèmes pour rejoindre simultanément les clients de territoires licenciés différents mais de groupes d'intérêts identiques.

Technologiquement, la câblodistribution occupe un corridor bien à elle entre la radiodiffusion et la téléphonie. Essentiellement, la radiodiffusion permet de rejoindre la masse à partir d'un point unique de diffusion. La téléphonie permet la communication de point à point. La câblodistribution, quant à elle, permet de rejoindre des groupes à partir de points d'origine différents. C'est pour cela qu'il faut éviter de définir limitativement le câblodistributeur comme un "common carrier".

Le tableau de la page suivante illustre la complémentarité entre ces trois media.

TROIS PRINCIPAUX CONDIGORS DE LA COMMUNICATION
AUDIO-VISUELLE DISPONIBLES POUR LES CITOYENS

RADIODIFFUSION

spécificité

1) EMISSION
(durée fixe)

2) MASSE

3) PUBLICITE/COTE
D'ECOUTE

4) HEURE DE POINTE

5) SYNTONISATEUR

CABLODISTRIBUTION

spécificité

1) PROJET DE COMMUNI-
CATION
(durée variable)

2) GROUPE/INDIVIDU

3) UNE BONNE RAISON
UNE FOIS PAR MOIS
POUR CHAQUE ABONNE

4) MOMENTS D'EXHIBITION

5) CHANGEUR DE FRE-
QUENCE

CONFLITS
DE
FRONTIÈRE

TELEPHONIE

spécificité

1) CONVERSATION
(éclatement de la
durée)

2) INDIVIDU

3) NECESSITE UTILITAIRE

4) INSTANTANÉITE

5) CADRAN SELECTEUR

CONFLITS
DE
FRONTIÈRE

Ceci nous amène à parler de la deuxième fonction qui est aussi spécifique au câblodistributeur que la fonction de distribution électronique que nous venons de décrire sommairement. Il s'agit de la fonction d'édition électronique. L'entreprise de câblodistribution est responsable de fournir des services de communication à des clients qui s'abonnent à son système pour répondre à leurs besoins de communication.

Correspondant à cette fonction d'éditeur électronique, le câblodistributeur occupe une position complémentaire avec les autres éditeurs audio-visuels: producteurs de films, producteurs video, radiodiffuseurs, etc.

Si la définition de la câblodistribution est élargie pour englober à la fois la fonction d'édition électronique et la fonction de distribution électronique, elle permet au câblodistributeur d'être un joueur important dans l'éventuelle agence de télévision à péage. Mais elle permet aussi au câblodistributeur de ne pas mettre tous ses oeufs dans le même panier; le câblodistributeur doit considérer que la télévision à péage n'est qu'un des nombreux services qu'il est appelé à fournir à ses abonnés.

2) Améliorer constamment l'état de nos systèmes et l'état de nos services de communication

L'analyse critique doit explorer tout le secteur des télécommunications canadiennes.

A) Nos systèmes

Les câblodistributeurs concernés opèrent de nombreux systèmes importants. Ils procèdent à la construction de nouveaux réseaux et à la reconstruction des réseaux existants dont la capacité est insuffisante. Ils améliorent constamment leurs systèmes en les segmentant de façon adéquate pour se rapprocher de leurs clientèles locales et en les inter-reliant (ex. Microbec Inc.) pour rejoindre les clientèles régionales. La plupart de ces systèmes sont bi-directionnels et atteignent une capacité d'une trentaine de canaux. Ces systèmes ont tous la disponibilité nécessaire sur le service standard pour exhiber des produits nouveaux.

B) Nos services de communication

Depuis plus de 25 ans les câblodistributeurs offrent à leurs abonnés des services de retransmission de télévision hertzienne qu'elle soit locale, régionale ou éloignée. Beaucoup de gens d'ailleurs confondent la câblodistribution avec la radiodiffusion pensant qu'il s'agit de notre seule catégorie de services. Tel n'est évidemment pas le cas. Depuis quelques années en effet les câblodistributeurs ont commencé à élargir la gamme de leurs services de communication à leurs abonnés. Ils ont commencé à donner des services de renseignements utilitaires avec l'aide d'appareils permettant l'exhibition de message alpha-numérique. Ils ont commencé à permettre à des citoyens de produire eux-mêmes en leur fournissant les équipements nécessaires. Ils ont eux-mêmes commencé à produire des produits d'intérêt communautaire. Depuis peu ils font des expériences de production sur une plus grande échelle (ex. CECO) répondant à des besoins spécifiques plus généraux de la société.

C'est cette évolution qui se poursuit maintenant avec l'aide des producteurs indépendants selon la fonction d'éditeur électronique que les câblodistributeurs acceptent maintenant comme essentielle à la nature de leur medium.

3) Mettre sur pied une société québécoise d'édition électronique

Nous en sommes donc venus à la conclusion qu'il est opportun de mettre sur pied une société québécoise d'édition électronique pour entreprendre le développement harmonieux de la télévision à péage au Canada.

Cette décision n'indique aucunement que nous voulons restreindre notre champ d'action au territoire québécois. Au contraire la Société agirait tant sur la scène canadienne que sur la scène internationale.

Les raisons qui motivent la mise sur pied de cette Société tiennent compte à la fois de la définition de l'industrie de la câblodistribution, de son développement technologique et de la situation canadienne.

Notamment nous devons exploiter au maximum les canaux disponibles sur les systèmes de câblodistribution du Québec afin d'augmenter notre niveau de pénétration. C'est d'ailleurs à notre avis la seule façon de procéder pour bien préparer la venue des services d'abonnement sur les canaux à péage.

L'objectif du gouvernement canadien est de favoriser l'augmentation de la quantité et de la qualité de la production canadienne et de rendre celle-ci présente sur la scène internationale. Notre décision de mettre sur pied cette Société va dans ce sens.

Nous croyons que cette Société sera un organisme qui complètera l'effort de PTN/RTP concernant l'augmentation de la production canadienne, notamment celle de langue française et celle qui correspond à des besoins de communications autre que le divertissement par les longs métrages et les sports professionnels.

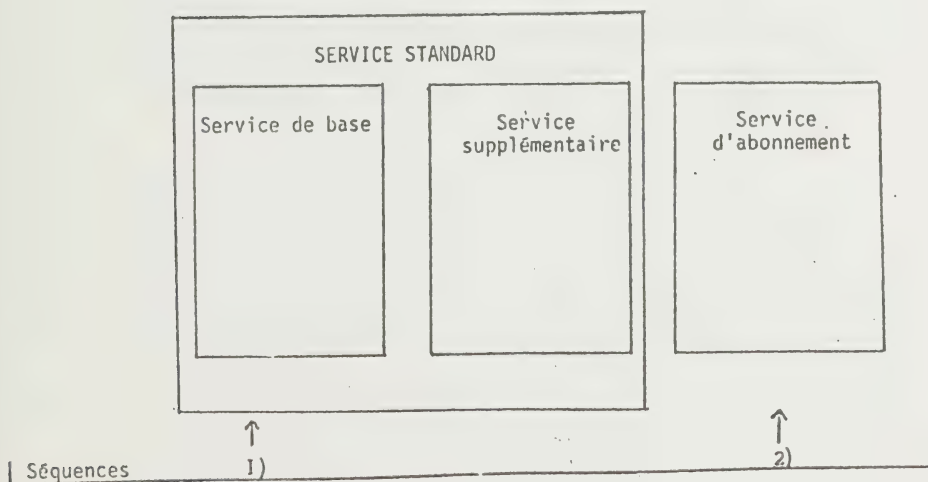
A) LES OBJETS DE LA SOCIÉTÉ

Cette société aura pour objet prioritaire de contribuer à augmenter la production canadienne.

Nous pensons cependant qu'il faut comprendre le terme production canadienne dans son sens large et ne pas le limiter à la production de longs métrages et d'émissions de télévision conventionnelles. La production canadienne doit pouvoir se vendre sur le marché international. Il y a beaucoup de produits nouveaux que nous pourrions développer, qui auraient un attrait pour le marché international.

Pour cela: 1) nous disposons immédiatement de canaux sur le service standard. 2) Parallèlement, nous disposerons de canaux à péage sur le service d'abonnements.

Le tableau ci-dessous illustre les canaux disponibles pour exhiber les produits nouveaux.



Cette Société ne limitera pas son effort à la production francophone quoique celle-ci sera certainement sa priorité. Nous tiendrons compte des besoins de notre clientèle dont une minorité importante est anglophone. De plus nous croyons que la nature de notre industrie commande que nous satisfassions certains besoins de nos abonnés dans leur langue d'origine

Cette Société agira comme un éditeur qui

- 1) initiera avec des partenaires une quantité importante de nouvelles productions;
- 2) pourra à l'occasion en produire elle-même;
- 3) achètera des productions existantes sur les marchés québécois, canadiens et internationaux;
- 4) fera la mise en marché de ses produits en les regroupant de façon à vendre à divers clients éventuels, des produits parfois similaires, parfois différents;
- 5) assurera que la distribution de ses produits chez ses clients soit adéquate.

Cette Société vendra ses produits sans profit à ses actionnaires. D'autre part elle sera à but lucratif et elle vendra avec profit ses produits sur le marché ouvert.

B) LA STRUCTURE ORGANISATIONNELLE

Les câblodistributeurs s'assureront un minimum de 51% des actions de la Société.

Le Conseil d'administration de la Société sera composé d'un nombre impair de membres entre 9 et 15 et la majorité des membres seront délégués par les câblodistributeurs.

Les employés de la Société devront être des professionnels de la communication, capables de travailler autant en français qu'en anglais. Ils s'occuperont de tout ce qui concerne la production, les achats, le packaging et le marketing.

C) LES SOURCES DE FINANCEMENT

La Société commencera ses activités avec un capital-actions et des prêts consentis par ses actionnaires de départ.

Les câblodistributeurs actionnaires de la Société présenteront une demande aux autorités réglementaires pour obtenir un redressement tarifaire qui pourrait par exemple représenter une somme de plus de \$2 millions dès l'année 1977 pour l'augmentation de la production canadienne. (1)

Les ventes de produits sur les marchés internationaux et locaux seront d'autres sources de financement.

Quand la Société pourra rejoindre les abonnés de la câblodistribution sur des canaux à péage ou selon une méthode de "pay per program" les revenus seront augmentés d'autant.

- (1) A titre d'exemple une contribution mensuelle de 50¢ consentie par 400,000 abonnés québécois représente \$2.4 millions pour l'année 1977.

D) CATEGORIES DE PRODUITS

Les produits de la Société seront répartis dans deux catégories principales;

- produits pour le service standard
- produits pour le service d'abonnements

Les deux catégories de produits ne seront pas interchangeables afin de tenir compte de la stabilité économique du développement de nos services de communication.

Cependant la décision de mettre les produits pour le service standard sur le service de base ou sur le service supplémentaire seront du ressort de chaque câblodistributeur selon les conditions de son marché.

Les premiers efforts de la Société contribueront à développer des produits pour le service standard. Ces produits devront se rattacher à une tradition qui respectera à la fois la nature du médium et ses effets culturels.

Comme il n'y a pas de tradition électronique, dans notre cas, nous tiendrons compte des traditions de l'édition du médium écrit pour les appliquer au nouveau secteur de l'édition électronique.

Les catégories de communication qui seront les nôtres, tiendront plus compte, par exemple, du système Dewey qui classe l'ensemble du savoir humain que des systèmes de programmation des radiodiffuseurs qui tiennent plus compte des besoins de divertissement (incluant l'information sur l'actualité) de leur auditoire de masse.

E) RELATION AVEC PTN/RTP

Il y aura d'abord le fait que la majorité des câblodistributeurs-actionnaires de cette Société seront aussi actionnaires de PTN/RTP.

Il y aura échange de PDG sur les Conseils d'administration. De plus, il y aura sans doute des administrateurs qui siègeront sur les Conseils des deux organismes.

Les deux organismes se complèteront plutôt que de se compétitionner quant à leurs produits.

Les produits de PTN/RTP seront d'intérêt national et seront distribués selon cette optique. L'utilisation des satellites pour ce type de distribution nous apparaît préférable. Le seul problème comme l'indique le mémoire de PTN/RTP serait le financement à court terme. Considérant l'argent public déjà investi pour ces satellites, nous pensons que le gouvernement canadien n'hésitera pas à favoriser leur utilisation pour satisfaire les besoins du public canadien tout en raffermissant l'unité nationale.

Les produits de cette Société seront d'intérêt régional et viseront à compléter la programmation d'intérêt national du PTN/RTP. La distribution des produits de cette Société se fera plutôt par micro-ondes et par la méthode dite "de la bicyclette" en attendant l'inter-liaison souhaitable des systèmes.

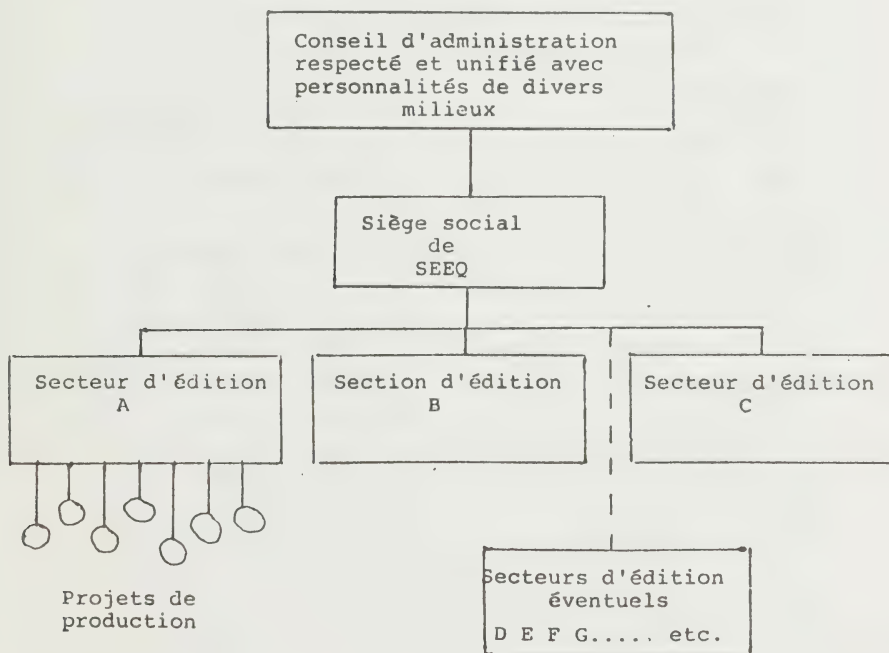
9) LES PARTENAIRES ADEQUATS

Pour que cette Société fonctionne bien, il faudra qu'elle réussisse à s'adjoindre, tant au niveau de son administration que de la production des partenaires adéquats qui y verront leurs intérêts.

Nous pensons qu'au niveau de l'administration il faut s'adjoindre des personnalités de divers milieux qui sont respectées tant par les autorités réglementaires que par les milieux de la production.

Au niveau de la production nous pensons qu'il faut procéder par secteurs d'édition et selon des relations contractuelles spécifiques. Cela évitera de se retrouver une foule autour d'une table, en se neutralisant les uns les autres.

Cette façon de procéder nous vaudra le respect, l'unité d'action et une grande capacité de production.



Nous croyons que les solutions que nous proposons assurent le développement harmonieux d'une télévision à péage canadienne originale.

La collaboration entre les câblodistributeurs et les producteurs concernés est un progrès important pour assurer l'augmentation de la qualité et de la quantité de la production canadienne.

Dès que le Conseil le jugera opportun, nous serions en mesure d'offrir à un grand nombre de foyers québécois sans compter les foyers d'autres parties du Canada qui s'approvisionneraient chez-nous, des produits audio-visuels différents et complémentaires à ce que leur offre la radiodiffusion.

Nous demeurons à votre entière disposition pour vous fournir les renseignements supplémentaires qui vous seraient nécessaires.

Veuillez agréer nos sentiments respectueux.

Cablestrie Inc.	par Luc Roberge
Cablevision Nationale Ltée	par Jacques Duhamel
Cablevision du Nord de Québec Inc.	par Jacques Duhamel
Cablovision Inc.	par Conrad Tourigny
Laehute Cablevision Inc.	par Omer Girard
Signal CATV Enrg.	par Walter Punde
Télécable de Québec Inc.	par Jacques Duhamel
Télésag Inc.	par Maurice Beaulieu
Transvision Magog Inc.	par Omer Girard
Transvision North Hatley Inc.	par Omer Girard
T.V. Drummond Inc.	par Luc Roberge
Ciné-Vidéo Inc.	par Denis Héroux
Les Producteurs Pierre Lamy Inc.	par Pierre Lamy
Cinépix Ltée	par André Link
Rose Films Inc.	par Claude Fournier

Les précisions complémentaires
des
producteurs

Télévision à péage

Il faudrait pouvoir bientôt qualifier de façon différente ce nouveau moyen de communication avec les auditoires. Parce qu'elle n'en porte pas le qualificatif, il ne faudrait pas croire que la télévision traditionnelle ne coûte rien aux spectateurs. Dans le cas du réseau d'Etat, par exemple, le public fait par le fisc les frais des spectacles qu'on lui présente. A la télévision privée, les coûts de production et de télédiffusion sont assumés par la publicité dont le consommateur paie directement les frais.

La télévision à péage serait donc par rapport à la télévision traditionnelle, le seul mode de spectacle-chez-soi pour lequel le spectateur serait entièrement libre de "payer" ou de ne pas "payer", le seul pour lequel il puisse vraiment faire un choix.

Dans l'esprit des programmeurs, cette nouvelle télévision devra être une source d'émissions originales, de haute qualité, libres de toute réclame publicitaire et disponibles à volonté pour le spectateur.

Ce que chacun s'accorde à reconnaître comme la "quatrième révolution" dans le domaine des communications et que certains voient comme une solution miraculeuse à tous les problèmes tandis que d'autres la considèrent comme un mal nécessaire et inévitable, devrait être abordé de manière originale et nouvelle. Nous reconnaissons dans le domaine de la télévision à péage l'expérience américaine, mais nous croyons nécessaire de trouver des solutions propres à notre situation.

La situation des producteurs indépendants

Nous aimerions souligner que tout le système de "broadcasting", de même celui de production de longs métrages a été structuré au mépris des intérêts fondamentaux des producteurs indépendants.

D'une part les "broadcasters" possèdent leurs propres moyens techniques de production, leur système de distribution et d'exploitation; d'autre part, la distribution et l'exploitation du cinéma de long métrage sont en grande partie contrôlées par des producteurs étrangers (soit américains, soit britanniques).

On peut donc conclure sans exagération que les producteurs indépendants se trouvent aussi défavorisés devant les "broadcasters" qui sont pourtant eux aussi canadiens que devant les intérêts étrangers qui contrôlent ici la diffusion et l'exploitation du cinéma de long métrage. Qu'il nous suffise ici de rappeler comment les producteurs canadiens sont obligés de vendre leurs propres produits aux réseaux canadiens (autant privés que d'Etat) aux mêmes prix de "dumping" qui sont offerts à des produits étrangers dont les coûts de production ont en général été amortis sur leurs territoires respectifs.

Avec la télévision à péage, le producteur se trouve pour la première fois confronté directement avec le public qui pourra choisir d'acheter ou non le produit qu'il lui offre.

Il nous semble donc essentiel que les autorités qui régissent les communications au Canada entreprennent l'étude de ce nouveau mode de communication en ne s'appuyant pas sur les concepts traditionnels de "broadcasting" ou de diffusion et d'exploitation du cinéma.

Parce que des solutions nouvelles nous paraissent souhaitables, nous rejetons donc avec fermeté la notion de pourcentage (toujours infime d'ailleurs) retournant à la production canadienne. Plutôt que de favoriser la production indigène, cette sorte de contingentement financier a toujours contribué à garder cette production dans un état de dépendance et d'infériorité.

Un groupe de travail

Dès le mois de juin dernier, un groupe de travail s'est formé au Québec afin d'étudier le développement possible d'un système de télévision à péage.

Ce groupe a réuni au début les représentants de quatre importantes maisons de production et de distribution de film: Cinévidéo Inc., Les Productions Pierre Lamy, Cinépix Ltée, Rose Films Inc.; les représentants des câblodistributeurs et des radiodiffuseurs disposant de facilités importantes de production vidéo.

Les maisons de production et de distribution représentées dans ce groupe sont responsables de la production d'au moins 80% de la production de longs métrages au Québec depuis les dernières années.

Après des études et des discussions qui se sont échelonnées durant tout l'été le groupe en est arrivé aux principales conclusions suivantes:

- 1- l'implantation d'un système de télévision à péage devrait se faire par étapes.

- 2- La technologie utilisée au départ devrait être celle de la câblodistribution afin de réduire au maximum les investissements destinés uniquement aux installations techniques.
- 3- L'utilisation maximale de tous les moyens techniques de production existant déjà (studios de vidéo, de films, etc...)
- 4- La nécessité absolue d'éviter de fragmenter davantage les auditoires de la télévision traditionnelle.
- 5- La production de films de long métrage ne devrait pas constituer la base de programmation du nouveau système de télévision.
- 6- De nouvelles formules de production pour un nouveau mode d'exploitation.

Implantation graduelle

Il nous apparaît beaucoup plus réaliste de procéder par étape en instituant d'abord un système de télévision à péage "universel", c'est à dire distribué à tous les abonnés actuels des câblodistributeurs, moyennant un redressement tarifaire.

Cette formule aurait pour avantages immédiats de permettre la création rapide de la télévision à péage; de pouvoir compter sur une source de revenus appréciable immédiatement et qui ne serait pas subordonnée au succès toujours hypothétique d'un nouveau système d'exhibition par abonnement; la possibilité de mettre graduellement sur pied de nouvelles formules de programmation; la possibilité de passer outre aux techniques plus ou moins adéquates de protection du système (trappes, décodages, etc.).

Le système éventuellement serait complété par le péage sélectif par émission, lorsque la technologie le permettra à des coûts raisonnables.

Utilisation de la câblodistribution

La plupart des avantages d'utiliser la câblodistribution pour la télévision à péage viennent déjà d'être énumérés. En plus d'éviter de nouveaux investissements pour des installations techniques, le recours aux câblodistributeurs permettrait de profiter immédiatement de leur expertise de la mise en marché, du service à la clientèle et permettrait aussi une utilisation plus rationnelle du nombre de canaux déjà disponibles.

Utilisation des moyens de production actuel

Là encore nos efforts ont tendu vers l'utilisation maximum des moyens de production existant déjà au Québec. Plusieurs radio-distributeurs exploitent déjà en parallèle des installations de production que l'implantation d'un tel système de télévision à péage pourrait stimuler encore plus.

Eviter la fragmentation des auditoires

La télévision à péage aura comme objectif fondamental de satisfaire les besoins précis de groupes d'auditoires spécifiques, dans les domaines des arts, du sport, de l'éducation populaire et des loisirs. La somme de sa programmation lui fournira la somme de l'auditoire nécessaire à son économie.

Comme nous croyons que l'objectif fondamental du radiodistributeur traditionnel est d'atteindre le plus grand nombre possible de spectateurs et de multiplier les heures de pointe de l'écoute, il en résultera une complémentarité entre les systèmes.

Les objectifs étant ainsi bien différenciés, nous ne croyons pas qu'il y ait danger de fragmentation de l'auditoire de la télévision traditionnelle.

Le long métrage

Les prévisions les plus optimistes, quel que soit le système adopté, ne nous permettent pas de croire que les revenus découlant de la télévision à péage puissent jamais permettre que le long métrage constitue la base essentielle de la programmation.

Des programmeurs qui penseraient autrement risqueraient, selon nous, de subordonner complètement le marché aux fournisseurs étrangers. Nous ne sous-estimons cependant pas le rôle important que pourrait jouer la télévision à péage dans la production de films de long métrage en permettant par ses investissements d'"amorcer" des productions qui ne germèrent pas autrement.

Nouvelles formules de production

Ainsi conçue, la télévision à péage pourrait élargir et enrichir la programmation offerte normalement aux consommateurs de la télévision.

Pour des motifs commerciaux et pour répondre également à son objectif fondamental de rejoindre le plus grand nombre de personnes possible, la télévision écarte volontairement de sa programmation (ou encore n'y touche que superficiellement) plusieurs secteurs de l'activité humaine, plusieurs secteurs importants de la création artistique.

La télévision à péage devrait pouvoir fournir l'occasion à tous de se "divertir" et d'"apprendre" chez soi. Qu'on pense aux nouvelles frontières d'une programmation libérée des contraintes habituelles de "temps", de "rating", de "rentabilité".

La nouvelle rentabilité de la télévision à péage ira à l'encontre du bon sens du "broadcaster".

Elle aura à l'occasion la primeur d'un film de long métrage ou la primeur d'un événement sportif, mais elle cherchera bien davantage à faire chemin avec ses spectateurs dans la recherche de la connaissance.

Le spectateur pourrait avoir son opéra, son concert symphonique, sa pièce de théâtre, son ballet par mois. La télévision à péage transporterait chez le spectateur la Place des Arts, le Rideau Vert, le Théâtre du Nouveau Monde.

Aucun autre secteur de l'activité humaine n'échapperait à cette télévision qui chercherait à combler et gaver le spectateur plutôt qu'en le rationnant comme la télévision traditionnelle, contrainte de favoriser la variété à tout prix.

Aussi les programmeurs de la télévision à péage devront-ils non seulement analyser quels sont les appétits inassouvis du spectateur, mais découvrir aussi la façon de produire et transmettre un produit presque brut puisque le spectateur deviendra en quelque sorte un des responsables de son "raffinage".

Envisagée ainsi, la programmation de la télévision à péage pourrait dispenser aux abonnés les grands classiques de la littérature, par exemple; pourrait braquer ses caméras sur un potager-type "entretenu" et "expliqué" par les spécialistes du jardin botanique; pourrait suivre le dressage des lipizans en Autriche, etc., etc. Les limites de la télévision à péage deviennent ainsi celles-là mêmes de l'activité humaine. Bien conçue, la programmation pourrait ne pas connaître d'autres bornes.

Conclusion

Au début de cette annexe, nous nous sommes attribués le titre de "programmeurs" parce que nous croyons que nous sommes bien placés pour participer à la définition de cette nouvelle situation dans le domaine des communications et élaborer de nouveaux concepts de programmes.

Jusqu'ici, c'est la publicité qui avait déterminé la force et le développement de notre télévision; des normes étrangères qui avaient défini notre industrie de long métrage; et ceux qui se sont prononcés sur ce que doit être la télévision à péage ont tendance à vouloir encore une fois adopter des modèles étrangers tandis que le modèle que nous venons de décrire fera

cette "révolution" dans les communications pour mieux permettre au pays d'atteindre ses objectifs culturels spécifiques.

C'est dans cette optique bien précise que nous nous associons aux câblodistributeurs qui signent avec nous ce mémoire.

Claude Fournier

Denis Héroux

Pierre Lamy

André Link

Les commentaires
de
Télécâble Vidéotron Ltée

CPCN TEL MTL TH•
NATCABLEHO MTL
MIA089 010855
CRT GG HULL QUE 1 951A

MONSIEUR JACQUES DIXAMEL
NATIONAL CABLEVISION LTEE
MONTREAL

CABLEVISION LAURENTIEN LTEE EST D'ACCORD EN PRINCIPE AVEC VOTRE
MEMOIRE AU CRTC SPECIFIQUEMENT A CE QUI A TRAIT AUX BESOINS
PARTICULIER DE LA SOCIETE QUEBECOISE EN MATIERE DE PROGRAMMATION
PRODUITE ET DISTRIBUEE PAR PTN RESEAU NATIONAL DE TELEVISION A
PEAGE EN COLLABORATION AVEC VOTRE ORGANISME

ROBERT BEAUCHAMP VICE PRESIDENT ET DIRECTEUR GENERAL

1054A/OCT1/76/G
CPCN TEL MTL TH•
NATCABLEHO MTL

ANNEXE 4

Les commentaires
de
Cable TV Ltée



ADMINISTRATION:
100 RUE MAYRAND ST.
MONTREAL, QUEBEC
H3P 2E1
T.: 731-7951

BUREAU DES VENTES:
LES DEPARTMENTS:
17 DE LA SAVANE
MONTREAL, QUEBEC
H3P 1V4
T.: 731-7881

SERVICE:
100 RUE MAYRAND ST.
MONTREAL, QUEBEC
H3P 2E1
T.: 731-7761

1er octobre 1976.

Monsieur Jacques Duhamel,
Vice-Président, Affaires Corporatives
et Secrétaire,
National Cablevision Limitée,
2055, rue Peel, Suite 325,
Montréal, P. Q.

Mon cher Jacques,

J'ai pris connaissance de la présentation de "Pay TV"
de Cablevision National au C.R.T.C. qui s'avère très intéressante.
Sous plusieurs aspects, elle rencontre la ligne de pensée de Cable TV
dans la soumission que nous avons déjà présentée.

En particulier, nos deux organisations favoriseraient de
retarder l'introduction du "Pay TV" jusqu'à ce que notre équipement et
notre système puissent nous permettre d'offrir à nos abonnés un choix
complet d'émissions "sur demande".

Entretemps, nous préférons tout comme National, concentrer
nos efforts sur l'élaboration du Canal supplémentaire qui nécessiterait par
ailleurs une révision complète de la réglementation de l'utilisation de ce
canal, qui nous permettrait d'en faire un attrait spécial des services que
nous dispensons. Cependant, je crois définitivement que la préférence à
la programmation communautaire est hors contexte dans la présente formu-
lation.

En général, nous sommes d'accord qu'une planification sur
le développement d'une programmation valable pour les abonnés ayant accès
aux nombreux canaux conventionnels, devrait être entreprise dans les plus
brefs délais possibles.

...2/

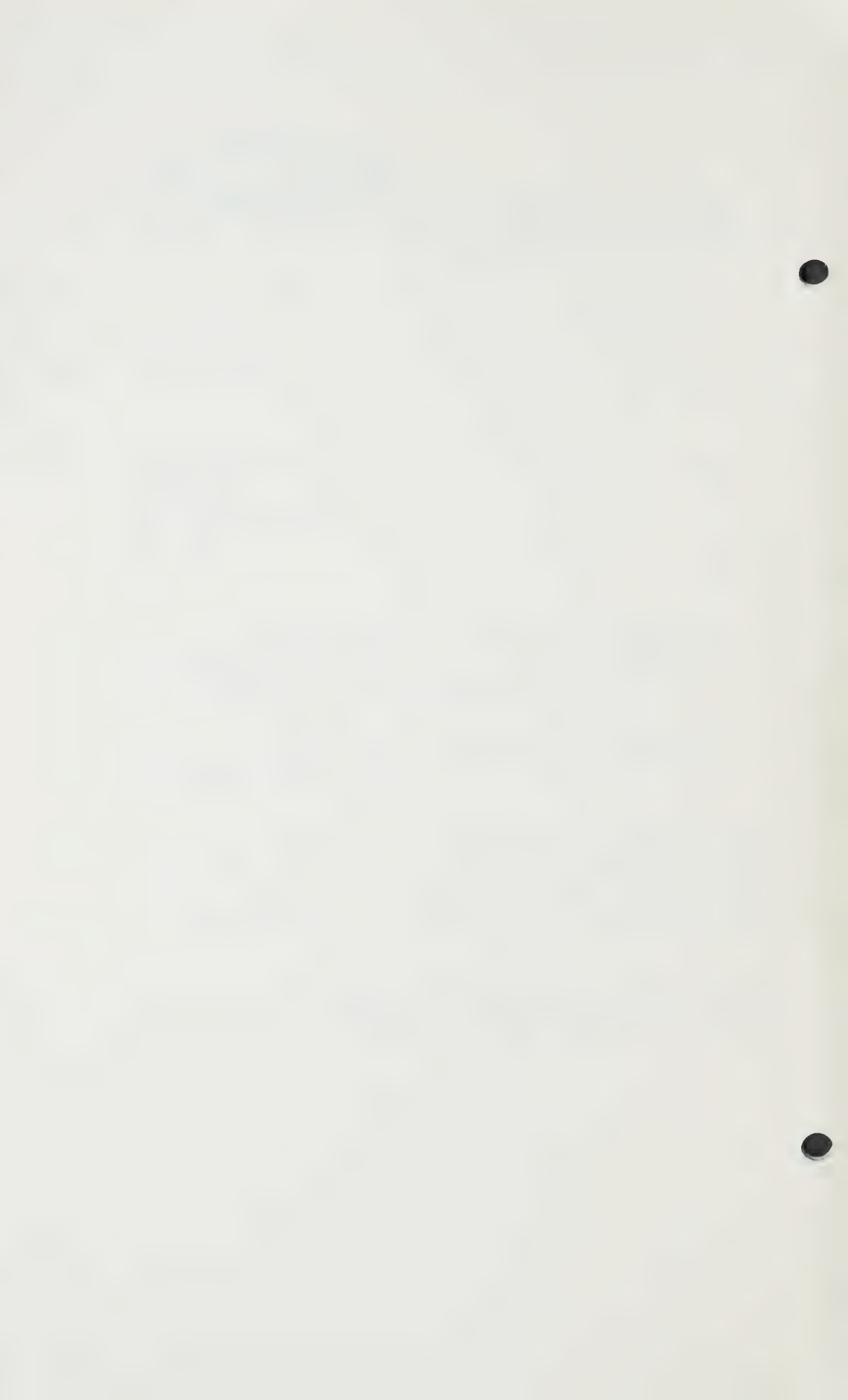
Par contre, il me semble que le schéma tel que proposé soit prématuré et surélaboré. Nous préférierions une structure beaucoup plus simple et moins formelle mais cela n'affecte en rien la validité générale de votre argumentation.

DMF/gt

Bien à vous,

A handwritten signature in dark ink, appearing to read "David M. Ferguson". The signature is fluid and cursive, with the first name "David" being the most prominent.

David M. Ferguson
Président



September 30th, 1976

M. Guy LeFebvre,
The Secretary-General,
Canadian Radio-Television &
Telecommunications Commission,
100 Metcalfe Street,
OTTAWA
Ontario

COMMENT
COMMENTAIRE

#60

Received By: [illegible]
SECRETARY

OCT 1 1976

C.R.T.C.

RE: PAY TELEVISION

Sir:

As a Company engaged in the business of Broadcasting, CITY-TV has read and has generally endorsed the position paper on proposed Pay TV guidelines presented by the CTV Network.

However, we have done so in much the same spirit that many other Broadcasters have adopted vis a vis the sudden resurrection from Limbo of Pay TV itself: i.e. defensively.

Telecasters perceive that Pay TV will impact and damage them more than anyone else. Consequently, as a group, they would rather that Pay TV go away. Since that is now no longer likely, they seek to mitigate adverse effects by becoming part of the process. Similarly, CITY-TV. We believe that Pay TV ought to be cautiously introduced into Canada, not only for the benefit of the Canadian Independent Production Industry (primarily feature film), but also for the benefit of the Canadian TV Broadcast Industry (primarily UHF). However, we perceive that CTV's sheer size does give them a palpable advantage should Pay TV develop as a Broadcaster-dominated medium. So we conclude corporately that we must attempt to impact the direction of the CTV Brief from the inside, rather than to be left out in the cold when the time for participation comes. But, beyond the very broadest questions of Fragmentation, Primary and Secondary Siphoning, and the principle of creation of Surplus Funds for Reinvestment - aside from these, there is (as yet) no further meeting of minds when the crucial time comes to grapple with the nitty gritty questions of who-gets-what-and-how.

...2/

CITY-TV, therefore, respectfully files its own Submission on Structure: a submission primarily in graphic form, but with amplifying notes.

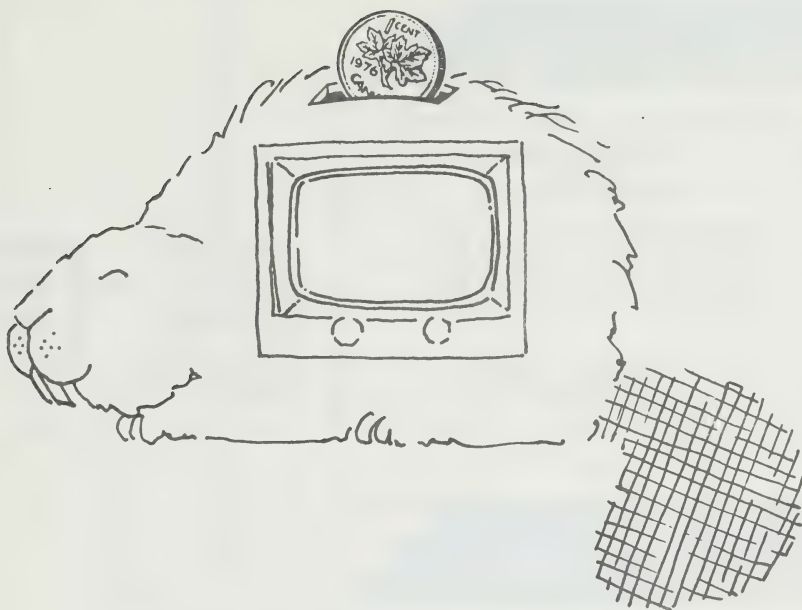
Our Brief may profitably be read in conjunction with the document filed elsewhere by Western Coded Television. As a consequence of much productive dialogue between the parties, there is now a great sympathy between the views expressed by Messrs. Wylie and Sutherland and our own; such that their remarks may be viewed as the theoretical introduction to our more pragmatic concerns and model.

Finally, because we believe both the issues and our responses to them still to be relevant, we enclose for the record earlier submissions made by this Company on this same subject, and invite particular attention to be paid to the views developed in them on the following questions:

1. Over-The-Air vs Pay-Cable.
2. Pay TV as support-source for the Independent Production Industry and UHF.
3. Off-The-Top Large-Scale System-Wide Commitment vs Test-Bed Experimentation.

Moses Znamer
MOSES ZNAIMER
President
CITY-TV
Channel SeventyNine Limited

Encl.
Encl.



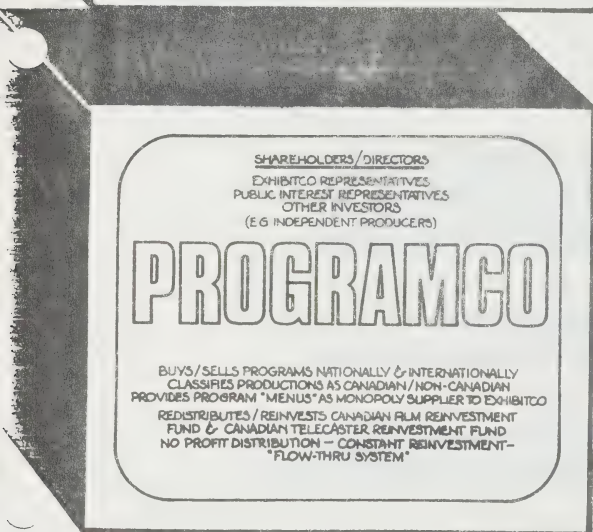
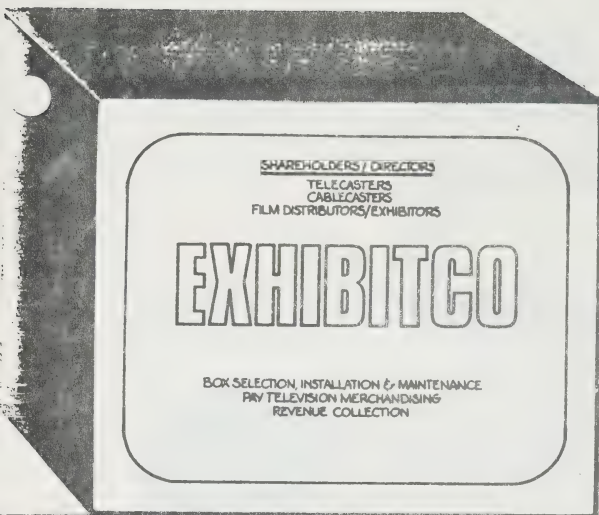
**PROPOSED STRUCTURE
FOR THE INTRODUCTION OF
PAY TELEVISION IN CANADA**

**SUBMISSION BY:
CHANNEL SEVENTYNINE LIMITED**

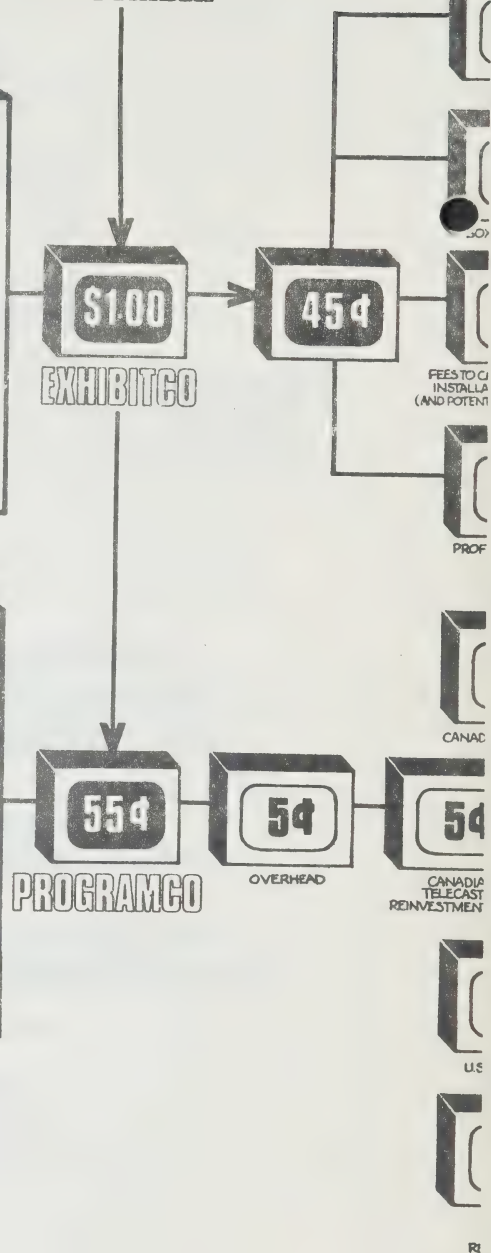
**TO:
THE CANADIAN RADIO-TELEVISION
& TELECOMMUNICATIONS COMMISSION**

SEPTEMBER 30, 1976

Citytv
MOSES ZNAIMER
PRESIDENT



SUBSCRIBER



NOTES TO GRAPHIC PICTORIALIZATION
OF CITY-TV'S PROPOSED STRUCTURE
FOR PAY TELEVISION IN CANADA.

1. However revolutionary Pay Television may be as a medium, it ought not to be introduced into the Canadian Broadcast/Communications System in a revolutionary (read, disruptive) fashion. Therefore
 - 1.1 CITY-TV submits that no proposal based on the notion that any one element of the National Communications Mix "cut out" any other element be entertained. Rather, CITY-TV proposes a structure that creatively allows for
 - 1.2 Something for Everyone - Consumer, Telecaster, Cablecaster, Independent Producer.
2. A single-company model for Pay Television is both impractical and unnecessary. Impractical, because it seeks to combine within one structure divergent and competing aims and skills; unnecessary, because clarification of one key question - that of Profit and its Disposition - will thin out that confusing crush of aspirants, all of whom think they want a piece of the same pie, when in fact they likely don't. Therefore, CITY-TV proposes
 - 2.1 A TWO-TIER SYSTEM separating the functions of a Monopolistic or near Monopolistic PROGRAMCO from a multiplicity of local/regional EXHIBITCOs.
PROGRAMCO's business would be:
 - a) Programme Acquisition and Packaging and Sales; and
 - b) Production Incentive Fund Reinvestment and/or Redistribution.

EXHIBITCO's business would be:

- a) To select, finance, purchase and install the hardware that makes Pay TV possible; and
- b) To merchandise the Pay TV idea to subscribers; and effect collection of the resulting funds.

2.2 EXHIBITCO is conceived as a licensee company conventionally organized to yield a profit for distribution to its shareholders. These shareholders should logically be drawn from those elements in the current scene that share the twin characteristics that they

- a) will be materially affected in their ongoing business by the introduction of Pay TV; and
- b) that they have the substantial resources required to implement this riskier, capital intensive side of the Pay TV business.

TV Broadcasters/Cablecasters/even Motion Picture Theatre Owners (subject only to legitimate considerations of Nationality) seem natural candidates for Equity Participation.

EXHIBITCO will draw its material from a "menu" of films and other events supplied by: PROGRAMCO.

PROGRAMCO is conceived as a licensee company organized in an unconventional manner consistent with the aspirations of those who hope to build a viable Independent Canadian Production Industry. The resulting enterprise should therefore be "flow-through" in design - very definitely profit-motivated, but only as a means of insuring viability by maintaining that vital connection with real-life market conditions; and only for the purpose of constantly rolling-over profit (or the bulk of it) into more and more production rather than distributing surplus (if any) to shareholders. A Crown Corporation seems plausible in this context, but a carefully constituted Private

Company need not be ruled out. Indeed, such a company, with all the extra efficiency and drive that private entrepreneurial activity implies, might be best of all. In either case, PROGRAMCO must be responsive to the views of the Consuming Public as well as those more specialized professional groups (Independent Producers and Exhibitors) whose livelihood will heavily depend upon it. Board representation for all these constituents would appear to be the likeliest avenue to facilitate this.

3. The Question of Monopoly: Monopoly should be embraced only where some fundamental feature of the system requires maximum leverage for success.

- 3.1 There would appear to be no such need, and no discernable advantage with regard to EXHIBITCO. EXHIBITCO requirements for Investment Capital will be so large that it's doubtful that any single individual or group would or could bear the burden alone. Moreover, what plays in Toronto will not necessarily play in London or Plaster-Rock; and it may have to be delivered in a physically different fashion. Consequently, locally owned EXHIBITCOs should draw on "menus" of available materials supplied by PROGRAMCO but should schedule and deliver these in a sequence and frequency and mix and over-cable or off-air as a given community's style and taste, geography and demography best dictate.

- 3.2 By contrast, PROGRAMCO's effectiveness could well depend on Monopoly status, since its ability to generate surplus funds for Reinvestment or Redistribution depends entirely on its ability to get foreign (typically American) suppliers to accept a return for product that is less than that which similar, but

Canadian suppliers will receive (see below). Similarly, PROGRAMCO's capacity to introduce a maximum of Canadian Content as well as other programmes of high quality but limited appeal (Ballet, Opera, etc.) into the "menu" of materials which it supplies to the various EXHIBITCO(s) could well depend on it being the sole supplier of such goods.

- 3.21 Considerations of Monopoly lead however to considerations of Discretion. If the money generated for the Film and Telecast Funds proposed are to be administered in a discretionary/ judgemental way by an Individual or Group Impressario, then it would seem prudent to create more than one (but less than many) PROGRAMCO(s). Power corrupts; and regardless how brilliant or genial a monopoly PROGRAMCO's Management might be, any taste, any individual, whose content or style was not consistent with those of the Cultural Tzar embodied in a Monopoly PROGRAMCO, could well be faced with the option of abandoning the Industry or leaving the country. Still, it can reasonably be argued that it would be beneficial to have pump-priming of the production process so as to ensure some serious Canadian presence in the system, especially during its startup phase. Indeed, the Crown, or a Group of Private Investors might well set their PROGRAMCO(s) up with a front-loaded amount - \$3 to \$5 Million has been suggested - in which case, discretion would definitely have to be exercised. In such a situation, the countervailing balance between the corruptive influence of too much power on the one hand, and the need to coagulate pools of capital sufficient to finance projects of International Quality and Scale, on the other, leads to CITY-TV's suggestion that there be three PROGRAMCOs (in English Canada) - one Central, comprising Ontario; another Eastern, comprising Quebec, The Maritimes, and Newfoundland; and one Western, comprising B.C. and the Prairie Provinces.

3.22 For those who distrust Discretionary Power or who see the exercise of such prerogative as limited as to time, a single Monopolistic PROGRAMCO can become acceptable if the funds earmarked for recycling into Canadian TV and Movie Production are not so much Reinvested as they are Redistributed, according to previously described objective criteria. For example, TV Fund money might be divided arithmetically among Telecasters serving a given area with the Regulator carefully tracking the subsequent use of those dollars, to see that they are used in programming to make better shows to recapture larger audiences. Movies could be different. All Motion Pictures qualifying as Canadian that had participated in a Pay TV Season would qualify for money to be drawn from the Film Fund. This distribution would be done prorata to a film's market acceptability as demonstrated by its Pay TV box office gross.

(E.g. In Year One, a small number of Canadian Pictures (say 12) share amongst themselves a large dollar pool thrown off by U.S. product. One Canadian movie, head and shoulders more popular than the rest, represents fully 50% of the total box office take attributable to Canadian films. PROGRAMCO's Administrator automatically writes out a cheque for fully half the U.S. generated pool. Conceivably, the lucky picture recaptures more dollars out of the Fund than out of its box office. But these, possibly, are dollars that can only (or mostly) be used as a credit against a new Production. The word gets out. More films are made because Investors like the idea of this secondary dollar backstop.....and more films in Year Two share in the U.S. generated pool. Eventually, the Market finds its own level.)

Such non-discretionary use of funds in Redistribution suggests an Accountant/Administrator of PROGRAMCO, and Monopoly is more tolerable. Discretionary use of funds in Reinvestment suggests a

passionate and cunning Producer/Administrator of PROGRAMCO and Monopoly ought to be somehow avoided.

4. WHO GETS WHAT: The Consumer spends a dollar.

It is collected by EXHIBITCO, which keeps 45¢;
55¢ goes to PROGRAMCO.

4.1 EXHIBITCO's costs relate to Equipment and Personnel: i.e. they must amortize Hardware; sell the Service; collect the Money. Because Cable Companies already have trucks and ladders and technicians in place, their costs of doing, e.g. installation and maintenance on behalf of EXHIBITCO, are likely to be modestly incremental to their own, and EXHIBITCO can offer them an attractive profit while still spending less in fees than what EXHIBITCO would itself have to spend to duplicate the service infrastructure.

4.2 PROGRAMCO's costs relate to Product and Personnel: a small staff, office expenses, travel - all reasonably covered by a 5¢ allocation for overhead. The only other cost is Product Cost, and that is set as

4.21 45¢ to the Canadian Supplier and
25¢ to the Foreign Supplier.

4.22 The spread of 20¢ is allocated to a Canadian Film Reinvestment/Redistribution Fund whose management and disposition was discussed in #3 above. Discretionary use of these funds would give PROGRAMCO equity positions in various projects, which positions could theoretically swell the overall income of the Fund if any of its investments found their way into highly successful properties. Nondiscretionary disbursement

according to formula would hold the Fund to a single revenue source, one that would presumably diminish over time as Canadian Programming blossomed to achieve greater and greater market acceptability and the percentage of total box office generated by Foreign (U.S.) product declined.

- 4.23 Five cents for Overhead (declining as system Gross expands) and 45¢ for Product (or Product plus Fund) still leaves 5¢ of the original 55¢. This nickel (expanding as overall Gross increases, since that would suggest steadily improving Pay TV penetration and, by logical implication, steadily growing levels of fragmentation) should go to a fund for distribution among all local area Telecasters. This would go a long way towards clarifying and curing a serious confusion inherent in many Pay TV Policy Statements made thus far. In many such documents, the interests of Independent Motion Picture Producers are somehow assumed to be consistent with those of TV Broadcasters. This is obviously not the case. Conventional Broadcasters are not only different people, but they do have legitimate grievances as they see their audiences fragment and revenue bases erode even as Regulatory pressure increases to improve Community Service.

5. THUS: TO RECAP

5.1 Independent Producers get

- a) guaranteed access to a distribution system that bypasses most of the abuses inherent in the current and conventional theatrical distribution system;
- b) a preferential high rate of return on each box office Dollar their programme attracts;
- c) call on or distribution from the Canadian Film Reinvestment Fund.

5.2 Telecasters get

- a) Equity participation in a profit-oriented EXHIBITCO (as they want it and if they can afford it);
- b) guaranteed access to the Canadian TV Reinvestment Fund.

5.3 Cablecasters get

- a) Equity participation in a profit-oriented EXHIBITCO (as they want it and if they can afford it);
- b) guaranteed access to additional Dollars via service fees from EXHIBITCO.

TEXT

PRESENTATION IN
RESPONSE TO CRTC
PAY TELEVISION
POSITION PAPER.

MADE BY: MOSES ZNAIMER
PRESIDENT
CITY-TV
CHANNEL SEVENTYNINE LIMITED

IN: OTTAWA

DATE: JUNE 12TH, 1975

Mr., Chairman, Ladies and Gentlemen of the Commission.

CITY-TV has three points to make in response to your position paper on Pay TV.

Thereafter, I have one addendum and the answers to what I hope will be lots of questions.

Our first point - and you've heard this from us before - is: Beware of Large Corporations bearing expensive gifts. Heavy investment has a logic all its own, and it's a logic that willy-nilly imprisons us all. We say that the study and the experimentation must come first, and then, and only then, the big push. For to reverse the sequence and to make the big push the actual experiment itself is to create a condition in which, more often as not, the tail ends by wagging the dog.

When I was still at Graduate School some years ago, the fellows around the corner at the William James Centre for Psychology invented a fancy term for a very common human frailty. It's called Cognitive Dissonance, and Cognitive Dissonance goes something like this; the more you've put into something - be it time or love or money - the less likely are you to admit that the whole thing's really a

crook; and that it should be significantly altered, or, indeed, abandoned. Thus, once you've got the Nationwide monopoly in place, complete with satellites and huge dollars, you can bet that that system is engraved in rock, regardless how different the final fact may turn out to be from the original intention.

Much of what was discussed in Phase One bears this out. Set-top convertors was a technology introduced innocently enough, ostensibly to accommodate newly arriving Canadian TV stations. Today, a brief two years later, these same convertors are more master than servant, precisely because dozens of cable companies and thousands of Canadians have \$100 investments each in tens of thousands of 30-channel boxes; and they expect, they demand something under every one of those buttons. And you, the Commission, are suddenly under intense pressure to satisfy that technological capability.

So this, the, is our first point: don't rush to give the keys to the kingdom away to the first fellow with a flashy proposition. The issue is complex, is fraught with danger for the system as presently constituted, and does merit more study. Which brings us to our second point.

* * *

In this second point we differ with certain of our broadcast brethren. We have never been any good at tucking our head in the sand - so we look for no permanent denials nor even for lengthy moratoria for the PTV Medium. We support not only further study, but actual experimentation.

To do so, we must first dispel the widely held prejudice that the provision of Pay-Per-Play or Subscription Services is the natural prerogative of Cable. This time in concert with the CAB, we say: it's not! We appreciate that there is a first-blush resistance to the idea of using a fresh publicly-owned airwave, whose content has historically come cost-free to viewers, for such directly money-related uses as PTV. And, indeed, if the frequencies in question were scarce "Vs", that objection would have sufficient merit as to perhaps be insurmountable. But, our proposed spectrum space is up there in UHF country and it will be many a moon before all the available "U" slots are fully taken up. There's lots of room such that no so-called free service need be denied frequency space in favour of PTV.

Once this question of the basic permissability of Over-The-Air Pay TV is conceded, analysis will show that in every other respect Over-The-Air is preferable to Cable. For one thing, it is significantly cheaper. Both delivery-

systems face the expense of decoder-box and producer's share and, therefore, running programme costs will likely be quite similar for each. But, from a consumer's point of view, that's where the similarity will end - particularly for those who may not need, or may not on principle wish, or indeed may not be able to afford to pay for basic cable service. Put another way, in a cable-based service, those who are not already subscribers will be faced with what amounts to an annual \$80 initiation fee in order to acquire the fu-ther privilege of spending another \$100 a year more on PTV. This in turn highlights the fact that Cable PTV would not only be unavoidably more expensive than an Over-The-Air version, but also would be profoundly un-democratic. M. Juneau, for precisely the reason that you suggested that Cable PTV might not represent a formidable fragmentation-menace, it represents a dangerous elitist one. If the PTV route you finally elect is solely cable-delivered, its inherent penetration limitations will create a condition in which only a narrow majority will have access to premium viewing choices; while a large minority - as high as 40% - will be permanently disenfranchised. I would think that no Commission mindful of the general good could contemplate such a situation, particularly since that portion of the community that can least afford it will be denied their reasonable right to current entertainment at minimum cost and will be forced to get it at higher per unit cost in

theatres.

Now, it's true that as of this moment UHF distribution is also not universal; but where the growth of cable has some terminal limit at less than the total universe of available TV sets - most educated guesses put it at 60% overall nationally - UHF has no such limit. Sooner or later, darn near every set in the country will be a set manufactured since 1969, and therefore will be all channel and capable of receiving UHF.

So that, then, is our second point: there's no need to try and avoid an inexorable future. Rather, let's meet it with a system that is broadcast-originated and is therefore more universally and more economically available to both Cable and Non-Cabled homes.

* * *

There are other problems in addition to the question of delivery system. Fragmentation is one of which both the CAB and CTV have spoken eloquently. The question of content-regulation is another. Serious, far-reaching decisions must be taken on Reinvestment of Revenue, on Canadian Content, and the like - all in the absence of evidence from "living-life". Hard data on real vs

expected product availability; hard data on genuine consumer affection for ballet and symphony and all such types of inducements which any applicant will likely be offering in an effort to seduce you into granting what could be one of the great bonanza monopolies of all time. On the other hand, PTV could meet real market resistance and have a very tough go; and suddenly, those who today or tomorrow might promise you everything, might feel the need, due to unforeseen circumstances I'm sure, to deliver less than everything; perhaps even nothing. It has happend before. Which brings us to our third point.

We propose that the Commission at this time commit itself to a PTV experiment and we volunteer our modest facility for such a use.

Imagine that at a given moment each day, a switch is thrown such that CITY-TV's regular signal is processed through a scrambler. Not on a new frequency, but on the station's current UHF Channel 79. Not in prime time where it might hurt other broadcasters or deprive a viewer of a fresh experience that he might normally have experienced free, but, at first, after midnight, where no Canadian content rulings apply and where the PTV option could be one more movie among many that already saturate our market

at that timeslot. Then, carefully, and only as swiftly as penetration of decoders would permit, the pay-service might be introduced backwards into the evening's schedule to a limit, say, of 10:00pm - leaving the station's prime time block unchanged, still full of the same intensive local service that has become our trade-mark in any case.

Notice what happens to disturb the status quo: very little. Other broadcasters can't be said to suffer because no new service has come into the market to woo away viewers; one programme has simply been substituted for another. The viewing public can't be said to be suffering since all they are likely to be denied are the third, fourth, and fifth reruns of typically U.S. syndicated product that we or any other alternative service might typically have run in those time periods; and surely that's no blow. Not even the C.R.T.C. as representative of the public good and as guardian of the culture can be said to be worse off; since the channel as a whole would still happily be adhering to the Canadian Content regulation then currently in force.

By this method, or one similar to it, we could all of us learn over time, just how vibrant the demand for PTV really was and therefore what kinds of percentage of

revenue could realistically be rolled over into some sort of Canadian Eady plan. Moreover, we would have had to have explored by then the unavoidably cooperative relationship that must be forged between broadcaster and cable-caster. CITY-TV already has an excellent record in this regard, since our very mode of distribution causes us to have a much-greater-than-usual involvement with the Cable TV industry. For example, the broadcaster might package and promote and programme, while the cablecaster might install and maintain and possibly even finance equipment. Thus, by sharing in the system's yield, would they be compensated for carrying the scrambled UHF PTV signal in a normal fashion.

That's our third point then. Experiment first. Use CITY-TV if you like, someone else if you don't; but at the cost of minimum dislocation to the present system. Then, with some real experience in hand, born of some years of trying this and that, you would be far better equipped to establish technical standards, determine corporate structure and pricing should you choose to, and allay general fears. Then, and only then, Sir, would the Pay TV medium be ripe for national expansion.

* * *

A final word, Sir, about why we're here; why little-old-CITY-TV presumes once again to sit amongst the Mighty, competing, in a sense, for your attention with the likes of Canadian Cablesystems or the CTV or Bell Telephone.

I submit, Sir, that UHF needs all the help it can get; lest it remain as stillborn a medium here as it is in the U.S.A. Be it cable or VHF or a mixed VHF/UHF system such as Global's, there is not one element of the Canadian Broadcast System that has not at one time or another been carefully nurtured by this Regulatory Agency: either by the granting of outright monopoly, or the careful limitation of competition or by special concessions. That's just not been the case with pure UHF - which finds itself as an industry too late on the scene to share in the goodies; but right on time to bear the full brunt of relatively new obligations set by this body. It is our belief that commercial UHF has demonstrated an interesting model for alternate, locally oriented television. But, independence is lonely and arduous, and encouragement is a must if current UHF shareholders are to continue bearing the degree of burden that they have to date: and, indeed, if any others are to be encouraged to travel a roughly similar road. Pay TV could well be such an encouragement, particularly since, as an Over-The-Air phenomenon, PTV would of necessity ride the "U" Band.

Our purposes, Ladies and Gentlemen of the Commission, are, as always, modest. We neither expect nor really want to run off with the whole pie. Rather, what we are attempting to assure here today is that neither we, nor the UNF industry that we represent in embryo, are cut out, while the Big Boys proceed to divvy up the loot.

o 0 o

May 14th, 1975

The Secretary,
The Canadian Radio-Television Commission,
100 Metcalfe Street,
OTTAWA
Ontario

COMMENT
COMMENTAIRE

Re: PAY TELEVISION POLICY STATEMENT FOR JUNE 10TH HEARING, OTTAWA

1. Channel SeventyNine proposes that Pay TV in Canada be developed around broadcast television as a nuclei. Canadian broadcasting stations carry the prime responsibility for the objective of the Broadcasting Act and represent the best suited vehicle for the harnessing of the potential of Pay Television in the public interest.
2. Specifically, Channel SeventyNine proposes that UHF broadcasters, such as CITY-TV, use their broadcast time for the distribution of Pay Television. UHF represents the most fragile of the various elements comprising the Canadian broadcasting system, where both VHF and cable have had significant economic aid over the years - particularly in the form of protection from competition - UHF has, as "Johnny come lately", all the same burdens with none of the historic advantages.

The allowed proportion of the broadcast day presently used for non-Canadian programming could be used for Pay Television instead; thereby minimizing lengthy reappraisals of Canadian content requirements, etc.

This would also minimize the fragmentation of present audiences, since it would not add another entertainment channel already competing for viewers' attention. It would merely change the station's entertainment programming from one kind of television to another with the result that the objectives of the CRTC could be met in the most efficient manner.

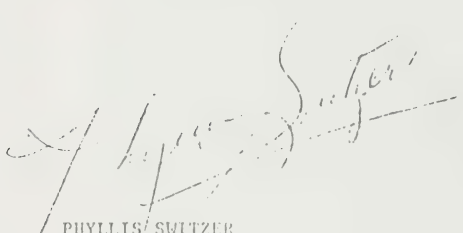
This would also re-orient the public into accepting the fact that they should pay for foreign programmes which would then support the production of higher quality free Canadian programmes.

3. An example of how this would work: CITY-TV proposes that it could use its evening time from 10:00pm onward; and some of its daytime programming for Pay TV purposes, leaving the rest of the schedule for locally produced programmes of high quality. Specifically, CITY-TV has produced a significant amount of Canadian local programmes of value to Toronto. With a mixed Pay TV/free system, the quality and quantity of these programmes could be increased.
4. The resulting effect of this to the broadcasting system would be there would be no increase in foreign content in the UHF broadcasters schedule; and Canadian content rulings could more easily be met through the normal broadcast day.
5. In addition to the above, Channel SeventyNine also points out that the system it proposes could be implemented immediately, on an experimental basis with minimal cost or disruption of services. In any given context over-the-air distribution is cheaper than cable and more universally available. Entertainment is also a right and its availability ought not to be restricted to those societal sectors which can afford cable services.
6. Broadcasting stations are already "programming entrepreneurs". They produce programmes to suit the needs and tastes of their audiences and they buy programmes from others for similar objectives. In the process they hopefully generate a profit, much of which is used to further develop programming resources in various ways and some of which is used to compensate the investors. Pay Television is just a variation of the broadcast theme. Payment is exacted from the viewer directly rather than indirectly from advertisers. A re-orientation of thinking is required to some degree but the basic requirements and objectives are the same.
7. Television stations are uniquely suited to act as Pay TV entrepreneurs. The intent of the Commission policies is to have Pay TV benefit the Canadian broadcasting industry through the enhancement of programming resources and capabilities and to provide a similar enhancement for the Canadian feature film industry. CITY-TV has a nearly unique record of programme production for its community which would be benefited by additional financial resources. It has strong contacts with the Canadian feature film industry and is prepared to assist this industry by providing attractive exhibition opportunities for Canadian films and by financing the production of new Canadian feature films - this latter on a fixed commitment basis.

8. CITY-TV recognizes that Pay Television in the United States has had only limited success. Pay Television in the U.S. has been able to operate through the facilities of cable television systems of very limited size and scope and with very primitive technology. Pay TV in the U.S. still operates only on a "subscription" basis charging a flat monthly fee for a package of entertainment features. We propose an intensive investigation of "Pay by Programme" technologies to find and prove a system suitable for broadcast use, since Pay Television can succeed on a large scale only with this kind of technology. We believe that the capability for development and proof of this kind of technology exists in Canada and that it might very well be developed first in this country and then exported to others. A demonstration of a sample system was recently made in the CITY-TV offices and well attended by Commission personnel.
9. CITY-TV recognizes that Cable systems now play an important part in the distribution of broadcasts for all television broadcasters -- VHF and UHF. We believe that the role of cable should continue to be restricted to distribution. Cable systems have shown themselves to be singularly good at distribution and singularly bad at programme production and management. They should continue to do what they do best. We propose that Cable systems act as technical agents for broadcast Pay TV operators in the areas in which they are licenced providing a technical service function to both the Cable subscribers and the non cable subscribers (homes receiving Pay-TV broadcasts directly) in their licenced service areas. Cable systems would receive a commission for these technical and even administrative services, thereby sharing in the Pay TV pie.

Please find attached letters to the C.R.T.C. outlining these proposals, dated May 23rd, 1973, and November 14th, 1974.

We would like to appear, to discuss this proposal before your Commission public hearing, June 10th, 1975.



PHYLLIS SWITZER
Vice President
CITY-TV
Channel 35 Corporation Limited

PS:ve/c1

May 23rd, 1973.

Mr. Pierre Juneau,
Chairman,
Canadian Radio & Television Commission,
100 Metcalfe Street,
Ottawa, Ontario.
K1A 0N2.

Sir:

Pay Television & the CRTC

Pay Television (PTV) is a much delayed "new" medium; a so-called revolution in communications that's been twenty years in the journey from early bright promise, through a series of disappointing though provocative failures, to the present which is full of promise again. Recognizing this, the Commission laid down some preliminary guidelines regarding the development of PTV in Canada, in an announcement dated the 3rd of October 1972.

We are especially supportive of the opinion expressed in that announcement that PTV in Canada ought not to simply increase the "passive technical capacity" of the Canadian Broadcast System; but ought, in fact, to help the "development of Canadian Programs" in order to encourage "diverse possibilities of Canadian Expression". And so consistent with these guidelines, this letter now comes to you as a proposal for immediate over-the-air PTV experimentation.

Realization of Commission Policy

There appears at this time to be two basic types of wide-cast PTV (closed circuit theatre or hotel systems are excluded from this analysis).

1. Over-the-Air PTV to a subscribers home.
2. Cablecast PTV to a subscribers home.

In each, the basic concept is the same; special programs for special fees. The crucial differences, however, lie in the media chosen to deliver the attraction to the paying customer. Now, either expressly or by implication, many who have discussed the future of communications have simply assumed that the development of PTV in Canada will lie with Cable. CITY-TV disagrees.

The Case for Over-the-Air PTV

CITY-TV believes that its facilities, staff and management provide an ideal opportunity to begin to implement the Commission's policy objectives with respect to PTV in this country. Therefore, we propose:

CITYVISION

A system of over-the-air transmission, reception and decoding of scrambled television signals USING THE UHF BAND. A small decoder placed in the subscribers home and attached to his TV receiver unscrambles the picture and provides the information required for the billing/paying process.

All technology for the system has been developed by a company that has long been a leader in the field of UHF signal distribution. State of the art circuitry, coupled with accumulated expertise in UHF equipment design, guarantee the customer the highest UHF stability obtainable. In each installation, if necessary, a separate UHF antenna will be provided for receiving the PTV signal. Finally, during installation, all existing lead-ins will be checked, picture quality verified and customer satisfaction guaranteed to please even the most discriminating colour TV viewer.

Advantages/Access

To begin with, just as Community Programming ought to be freely available to all; so should PTV be freely available, in its fashion. Obviously, program charges already serve as a natural, unavoidable limitation on the general-accessibility of the system. But to compound this barrier with the additional limitations inherent in CATV is unjust.

For example, cable-penetration has upper limits. Regardless how high this may be in any locality it can never duplicate the near-universal numbers who will, with time, be able to access (even UHF) over-the-air signals.

Or again, why should a householder be compelled to subscribe to cable television at \$60 or \$80 per year in order to gain access to pay television programs for which he would then only have to pay additional dollars? In Toronto, traditional antenna systems alone satisfy the TV viewing needs of about 50% of All homes. In order to get PTV, this group ought not to be obliged to pay for basic cable as well!

Finally, in Toronto, all these problems are further complicated by the fact that the city is served by fully 10 different cable systems. Some are large enough to offer pay television in the near future; others however, may not make this service available for years.

CITYVISION: Equality of Service, For All

With an over-the-air system, such as the one we propose, Pay TV would be available to both cabled and non-cabled homes.

Advantages/Supervision

PTV would come under the direct supervision and control of the Commission. Such jurisdiction would be more secure against any future changes in division of responsibilities between various levels of government.

Advantages/Reinvestment

Profits from PTV could flow directly into the "development of Canadian programs". CITY-TV, despite its relative youth, already has a distinguished record for innovative, independent and local production of Canadian programs. In keeping with this record, CITY-TV would propose to devise some scheme whereby some portion of profits realized from PTV would be plowed back into the production of Canadian feature film.

Advantages/Standards

What is more, CITYVISION's output could itself comprise of certain levels of Canadian Content - and could cover areas other than features, (or sports) as well.

Why CITY-TV?

Frankly, because CITY-TV better deserves the chance to operate PTV in Toronto than any other potential applicant in the area.

Enclosed please find some recent critical appreciations of CITY-TV. All of them attest to CITY's history of dedication to program principles. And if one heading disposed of us with the (rather glib) question: What can you say about CITY-TV after you say that it's different? - well, we content ourselves in the knowledge that even difference by itself is a difficult and worthwhile achievement in an industry where the pressures for sameness are crushing, and, some would have, unavoidable.

As it approaches the end of its first year, CITY has done undeniably well. But the toll is heavy. Losses, while mostly foreseen, are heavy. At 42½ hours a week CITY produces an astonishingly high portion of its total weekly and Canadian output. At 12½ hours a week our City Show provides by wide margins many times more authoritative local news and analysis, than any comparable effort anywhere, including the publicly financed CBC - and in prime time. All this represents a burden doubly hard to bear, given our UHF distribution. In the end, CITY will come through - so much has been proven by the experience of the last eight months. The audience is there and is slowly growing. But a beefed-up corporate financing base would certainly hasten the process along. Not only towards more rapid viability but, hand in hand, toward better programs, sooner.

PTV and UHF

It's not only CITY-TV, but the UHF industry that deserves all the help it can get.

The Cable industry has been supported by the granting of outright monopolies. Recently, 20-channel approvals have added another revenue generating mechanism to further brighten longterm cable prospects.

Similarly, the VHF broadcasters were for many early years protected from full fledged competition. In Toronto, these private VHF operators are (and have long been) highly profitable; in fact, through the new tactic of cable substitution they are preparing to do better still.

This sort of nurturing of the Broadcasting industry has served Canadians well. Now the same is needed for UHF. UHF is typically too late on the scene to profit from alone-ness; too small in resource to compete for the big American properties that will "pay" in cable substitution.

We think PTV is the answer. Let the local "P" in each market be certainly the first, and perhaps the only PTV licence in the area. Let PTV, such as we propose, help independent, local, alternative TV.

PTV & CITY-TV

Which brings us to CITY-TV again. Scarcity of spectrum space has always been a problem - nowhere less so than in Toronto. That's why CITY itself is, and is on UHF.

By way of solution, the PTV experiment proposed here would involve no additional public expenditure of scarce frequency space.

In fact, relatively small new investment outside of decoder-installation financing is required, since CITY-TV's present channel, transmitter, studio, telecine and VTR facilities would all be employed. Thus tests could be

- (a) Very quickly mounted, to a
- (b) Vastly larger audience potential, with a greater capacity for
- (c) Profit due to lower capital costs: which would be passed on to
- (d) Canada, in the form of the standards and reinvestment discussed above.

Extension of PTV Service

CITY-TV's proposal applies specifically to Toronto. But the basic principle - exploitation of PTV by legal independent television (and likely, UHF) stations could serve to provide the very necessary financial base for local television and film production in centres right across Canada. CITY-TV is prepared to pioneer again; and if granted this opportunity would be pleased to make the experience learned in Toronto available to others in other parts of Canada.

Conclusion/Proposal

Of course many questions about PTV remain to be answered in a Canadian context:

- Who will buy PTV services?
- How many will do so?
- How often?
- What kind of output will both attract most customers, but least disrupt the broadcasting system as it now stands?
- Might PTV, using key-controlled decoders, be the place for the controversial but much-demanded adult materials that CITY-TV now plays at midnight?
- Should some portion of a PTV schedule be given over to non-movie, non-sports events?
- What portion of a PTV schedule should be given over to guaranteed exposure of Canadian Feature Film?
- Might some portion of PTV revenues possibly be vested in a fund, earmarked for reinvestment into the production of our own native feature films?
- Already CITY-TV does more to serve the foreign-language information and entertainment needs of its cosmopolitan citizenry than any other station in Canada. But precisely because 75% of more of our output is "home made", Toronto's 350,000 Italians, 100,000 Portuguese, 70,000 Germans, 70,000 Greeks, etc. etc. are denied the same kind of highly professional, large budget features that English-speakers get in abundance. Could PTV come to the rescue?

To answer all these questions (or begin to); to do so rapidly and without the risk of additional spectrum or the normally large dollars involved, we invite you to signal us your encouragement and suggested method of proceeding. Upon the receipt, we will be pleased to quickly present in fuller detail our plans for a timely PTV Initiative which can have a major impact on CITY-TV - and on all of Canadian Broadcasting.

With Respect,

MOSES ZNAHER,
Vice President/Managing Director,
CITY-TV.

MZ/qee



ASDA COMMUNICATIONS CONSULTANTS

OX
sm 610.01
01 Oct 76

Mr. H. Boyle,
Chairman,
Canadian Radio
Television Commission,
Berger Building,
100 Metcalfe Street,
Ottawa, Ontario.
K1A 0N2

RE: Pay-TV Policy

**COMMENT
COMMENTAIRE**

61

Dear Mr. Boyle,

We appreciate the opportunity of making our views and concerns known to you. Our concern centers on the many dangers resulting from considering Pay-TV as an essentially isolated and self-contained venture - even in its relation to other existing forms of broadcasting.

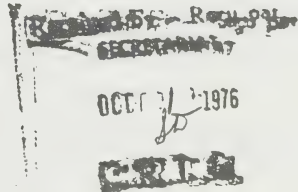
Our view is that this service should be considered in the far wider perspective of discernible and emerging trends in Communications - and as a stepping stone towards the establishment of such future communication formats.

Our comments are in the concise format of our monthly publication "ASDA-Gram" which affords little scope for supporting the views presented. Should you be interested in further development of this concept, I would be glad to elaborate.

Yours sincerely,

M.H. Kassner, P. Eng.,
President.

MK/sm
encl.



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-2770

Ottawa (613)

CONSULTANTS

COMMUNICATIONS

ASDA limy

CRTC has invited comments on the nature of future Pay TV services and the form of organizations to guide the development and operation of such services.

Appropriate concerns over social impact and public interest are stressed as the ultimate issue; the more immediate and palpable issue crystallizes into one of jurisdiction and control over a potentially lucrative new market, in the light (or twilight) of broadcasting, as defined.

We shall here examine the issue of Pay TV in what we consider the essence of its nature and its potential. In this perspective some features of Pay TV will appear less distinctive, and new criteria will emerge.

But first our fundamental premise:

Basic to the process of communication is the question of control over the flow of information. In face-to-face, one-to-one communication, useage has established traditional patterns. Different patterns have emerged for one-to-many communication formats. Significant deviation from these patterns will impede and eventually destroy the communication process.

In its principal forms, telecommunication allows full interaction in one-to-one communication (eg. telephone) and no direct interaction in one-to-many communication (eg. broadcasting).

New hybrid forms are emerging.

Pay TV could be a pioneer amongst them. Only this role could make it worthwhile.

A surfeit of choice offered, in radio as in TV, tends to induce "decision indigestion", when program selection is governed by "habitual preferences" and the full range of options is not exercised.

Program selection in traditional broadcasting is no more than a multiple on/off switch - a "passive control" over programming.*

Conventional Pay TV provides further choice where choice is already abundant by adding a few switches marked "\$" (\$ refers to the new switch bank, or to each switching). Economics dictate that the new "commercial-free" options be "popular"; this renders any outside "interference" into program fare difficult and "unpopular". The key note is "more of the same" (including existing difficulties and conflicts) and seems hardly worthwhile.

To be worthwhile, the new service and its premium must buy more - a stake in the future. A program-on-demand concept and some of its implications are discussed by G. Thompson (In Search, Fall '75). This, together with other variants of community involvement and participation, we see as a first and vital step towards "future forms" of telecommunications, however dimly perceived - by us or anyone else.

We therefore consider it crucial and imperative that any emerging policy regard conventional Pay TV services as an interim measure, with added responsibility to develop:

- o subsidized premium services for regions where limited selection is now available
- o new methods of audience monitoring (eg. opinion poll) and audience-mediated access to program selection

Any organization entrusted with the implementation of such a future-oriented policy must ensure:

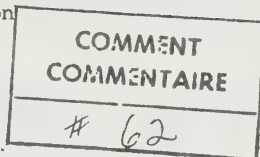
- o successful operation of interim services in urban and rural areas
- o shift of emphasis towards more interactive forms of telecommunications

We choose to be naïve in believing that such a body could align many of the now conflicting interests towards mutually compatible and rewarding goals.



September 29, 1976

Mr. Harry J. Boyle
Chairman
Canadian Radio-Television and
Telecommunications Commission
100 Metcalfe St.
Ottawa, Ontario
K1A 0N2



Dear Mr. Chairman:

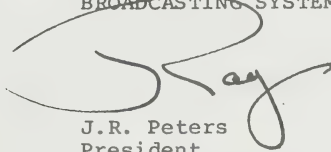
I am attaching herewith a copy of our submission to the Canadian Radio-Television and Telecommunications Commission on the form and function of Pay TV in Canada.

I thought you might find this of interest. I would welcome your reaction to the views expressed in this submission.

Best regards.

Yours sincerely,

BRITISH COLUMBIA TELEVISION
BROADCASTING SYSTEM LTD.



J.R. Peters
President

(encl.)

Received - Reçu
Executive Assistant's Office
Bureau du Chef du Cabinet

OCT 1 1976

C. R. T. C. - Ottawa

British Columbia Television Broadcasting System Ltd.
Box 4700, Vancouver, B.C. V6B 4A3 (604) 299-7272 Telex 043-54784



September 29, 1976

Canadian Radio-Television and
Telecommunications Commission
100 Metcalfe Street
Ottawa, Ontario
K1A 0N2

Attention: Mr. Guy Lefebvre
Secretary General

Dear Sirs:

Re: Pay TV in Canada

On June 30 last, the Minister of Communications called for submissions on the form and function of an organization to assemble, produce and acquire programming for distribution to licensed broadcast undertakings for pay television on a national or regional basis.

British Columbia Television Broadcasting System Ltd., which now is licensed to serve 96 % of the people of British Columbia through a series of 87 television broadcasting and repeater stations spread across virtually the whole of British Columbia, has been a pioneer for over sixteen years in all phases of the development of Canadian television programming. British Columbia Television has been a pioneer in program selection, program distribution, and program production to serve a cross section of Canadians, urban and rural, some served by a full choice of Canadian and foreign signals and others remote from multiple choice television served only by one or two television stations.

British Columbia Television has consistently monitored the effect on Canadian television broadcasting of multiple station fragmentation, cable penetration fragmentation, and new station fragmentation, both in their direct effect on Canadian audiences and what they will choose to watch on television and in their indirect effect on the financial ability of Canadian television stations to pursue the goal of varied and comprehensive programming of high standard, using predominantly Canadian creative and other resources set out in Section 3 of the Broadcasting Act.

.. /2

British Columbia Television Broadcasting System Ltd.
Box 4700, Vancouver, B.C. V6B 4A3 (604) 299-7272 Telex 043-54784

Mr. Guy Lefebvre
Ottawa, Ontario

September 29, 1976

From its continuous study of specially commissioned market research by A.C. Nielsen Company of Canada Limited, and from its own financial records, British Columbia Television is able to state categorically that fragmentation of the attention of viewers among an ever growing number of television choices is the single most destructive factor in the Canadian broadcasting system.

Pay TV is clearly another way of fragmenting the Canadian television audience. Any consideration of the introduction of Pay TV in Canada must deal with the question of how the advantages to Canadians can offset the clear disadvantages of even more fragmentation of the television audience in Canada.

Several points must be considered.

First, it must be asked how Pay TV can operate usefully in Canada and how it can do so without subsidy from public funds.

Second, it must be asked if Pay TV can be operated economically in Canada, whether that means in every part of Canada or just in some parts. It must be asked whether it is practical to search for a national organization, institution or agency, or whether it will be more effective and efficient to recognize the differences between the various parts of the country and develop Pay TV on a local or regional basis.

Finally, it must be asked if Pay TV is to be introduced, what section of the Canadian broadcasting system should be responsible for its introduction and operation. That is to say, it must be asked which "licensed broadcast undertakings" should be expected to implement Pay TV in Canada.

It is necessary to begin by asking whether Pay TV can really operate usefully in Canada. It should not be assumed that Pay TV will necessarily add anything of significance to the program choice of the Canadian viewer.

Advocates of Pay TV point to its success in American cities, such as Los Angeles and Honolulu. They say that the programs it brings add to the program choice of the viewers. British Columbia Television suggests that this is not necessarily so, particularly when the Broadcasting Act directs that the programming provided by each Canadian broadcaster should be of

Mr. Guy Lefebvre
Ottawa, Ontario

September 29, 1976

high standard. British Columbia Television urges the CRTC to obtain a list of the Pay TV programs available on typical American Pay TV operations over a typical period and compare it with the programs available on television stations in the same area for the same period of time. Attached as Exhibit 1, for example, is a comparison of the programs offered on Pay TV in Honolulu, Hawaii this month and the counterpart programs offered on British Columbia Television alone in British Columbia.

Before deciding what form of programming organization is best, it is necessary to decide what kind of programming it is desired to assemble. To assume any organization can add anything of significance to the program choice of Canadians by simply adopting the American Pay TV program schedules is to ignore what a simple comparison of American Pay TV programs and Canadian broadcast programs will show.

If it is concluded that Pay TV can add usefully to the Canadian television scene, then it must be asked whether this can be done economically, that is, on a self-supporting basis, profitable enough to attract private investment without public subsidy. British Columbia Television suggests that fragmentation is not only a danger to the effectiveness of existing Canadian programming; it is also a danger to Canadian public subsidization of creative and communicative arts. British Columbia Television suggests that whatever organization is developed, it should be financially self-sufficient.

Once it is concluded that there is a way in which Pay TV can be usefully operated as part of the Canadian broadcasting system defined by the Broadcasting Act without fragmentation of public funds, then it must be asked whether the method chosen can be equally effective in every part of Canada or just in some parts.

British Columbia Television submits for examination Exhibit 2 attached. This is a series of studies conducted by A.C. Nielsen Company which shows the growth of cable penetration in Canadian cities and the trend to cable television viewing illustrated by specific reference to the most densely cabled city Vancouver. Then follows a study of the division of viewing between Canadian and American stations and an analysis of tuning shares. Appended to the series is a Toronto survey which shows the pattern in that city to be essentially the same as in Vancouver.

Mr. Guy Lefebvre
Ottawa, Ontario

September 29, 1976

The studies of viewer reaction clearly show that additional television choice does not strengthen the audience of one part of the system against any other part. Additional television choice merely fragments the interested audience. Similar results have been found and filed with the CRTC in Hearings concerned with smaller cities and rural areas.

In Vancouver, the cable subscriber today has a choice of five Canadian and five American television signals. All of these stations carry at one time or another movies and material comparable or competitive to Pay TV fare as it is now known. Vancouver also has an eleventh channel of local cable system production. It is impossible, therefore, for a Vancouver viewer to watch even 10 % of the television service he is offered. Because of this, it is impossible except for a well-established system such as ours, for any Canadian television station to operate without subsidy, private or public, and our system operated for several years on the subsidy of its shareholders. Pay TV will only further reduce the economic viability of the Canadian broadcasting system. Pay TV will make available only programs which are essentially duplication of the sort and quality of programs now available to viewers in several places at the same time.

Whether the questionable usefulness of Pay TV will be the same in every part of Canada as it is in Vancouver, we do not feel able to say. British Columbia Television does say that if Pay TV is to be introduced, it should only enter the broadcasting system after long and careful local or regional experimentation to determine whether it is truly regarded as advantageous to Canadians in the region studied and on what basis of organization can best serve that region.

Finally, if it is believed that a careful period of experimentation might show Pay TV to be attractive to a significant number of Canadians, and economically sound, it will have to be decided what section of the Canadian broadcasting system should be responsible for its introduction and operation. The programming organization to be adopted cannot be chosen without deciding who will be the operating licensee.

British Columbia Television submits that there is no advantage to anyone involved in the Canadian broadcasting system, creators, performers, viewers, broadcasters - private and public, and cable companies, from the introduction of Pay TV as it is commonly presented in other places with a collection of second runs of movies and occasional live sporting events.

Mr. Guy Lefebvre
Ottawa, Ontario

September 29, 1976

The only possible exception to this statement is the financial advantage to the one segment of the system which has been consistently profitable to its owners, the cable companies. Significantly, it has been the cable operators, not the public, who have called loudest for the introduction of Pay TV.

British Columbia Television submits that further addition to the profit margins of the self-proclaimed "passive partners" in Canadian broadcasting serves no public purpose at all. With virtually no exception, the contribution of Canadian cable operators to the Canadian cultural, political, and social fabric has been nil. There is no reason to believe that an increase in the profit margins of cable operators will result in an increase in their contribution to the Canadian cultural, political, or social scene.

The fact is that if Pay TV is to be introduced in Canada, it should be programmed by and introduced through the Canadian television broadcasters. These are the organizations that have begun the work of developing a distinctive Canadian television spectrum. They have the facilities to make the best social use of the program production potential of any Pay TV cash flow in the Canadian broadcasting system.

It must be realized that because of the proven consequences of fragmentation in broadcasting, Pay TV will constitute a diversion of, not an addition to, the economic resources of the Canadian broadcasting system. Pay TV will not significantly increase the hours spent by Canadians watching television. It will only divert those hours from movies and event coverage now viewed on broadcast channels, and this will divert the economic advantages to the system which now accrue from such broadcast channels.

The Canadian television broadcaster through fragmentation will pay the cost of Pay TV in Canada. Any policy or plan which does not direct the cash flow of Pay TV to the part of the system which will bear the cost of Pay TV will weaken that part of the system.

British Columbia Television asks the CRTC to examine carefully the usefulness of Pay TV to the Canadian public and define clearly the role it wishes Pay TV to play in the Canadian broadcasting system.

British Columbia Television asks the CRTC to recognize that at least in such parts of Canada as British Columbia, the requirements for an effective Pay TV system will differ from other parts of the country.

Mr. Guy Lefebvre
Ottawa, Ontario

September 29, 1976

British Columbia Television asks the CRTC to ensure that Pay TV is introduced only after the fullest and most careful experimentation.

British Columbia Television asks the CRTC to ensure that the capacity of television broadcasters to contribute to the broadcasting system, particularly new stations like CKVU and CBUFT in Vancouver and the Global group in Ontario, is protected by seeing that it is active broadcasters and not passive cable operators who are licensed to program and introduce Pay TV if and when it comes to Canada.

Respectfully submitted,

BRITISH COLUMBIA TELEVISION
BROADCASTING SYSTEM LTD.

A handwritten signature in dark ink, consisting of several large, overlapping loops and a trailing flourish.

J.R. Peters
President

(encls.)

c.c. B.C. Cabinet Ministers
Minister of Communications
Members of the CRTC

EXHIBIT 1

A COMPARISON OF SEPTEMBER 1976 MOVIE SHOWINGS BY:

OCEANIC CABLEVISION
PAY TV
HONOLULU, HAWAII

(* August showing)

NASHVILLE

THE FOUR MUSKETEERS

THE WIND AND THE LION

SHAMPOO

FORTUNE

ALOHA BOBBY AND ROSE

ANIMALS ARE BEAUTIFUL
PEOPLE

OPERATION DAYBREAK

* THE APPRENTICESHIP OF
DUDDY KRAVITZ

*BREAKOUT

*ONCE IS NOT ENOUGH

*RETURN OF THE STREET
FIGHTER

*BLACK CHRISTMAS

BRITISH COLUMBIA TELEVISION
BROADCASTING SYSTEM LTD.
VANCOUVER, CANADA

(* Saturday, October 2 showing)

ELEANOR AND FRANKLIN

MADWOMAN OF CHAILLOT

AFRICAN QUEEN

M.A.S.H.

FRENCH CONNECTION

THE EMIGRANTS

HELTER SKELTER

AIRPORT '75

PAPER MOON

EARTHQUAKE

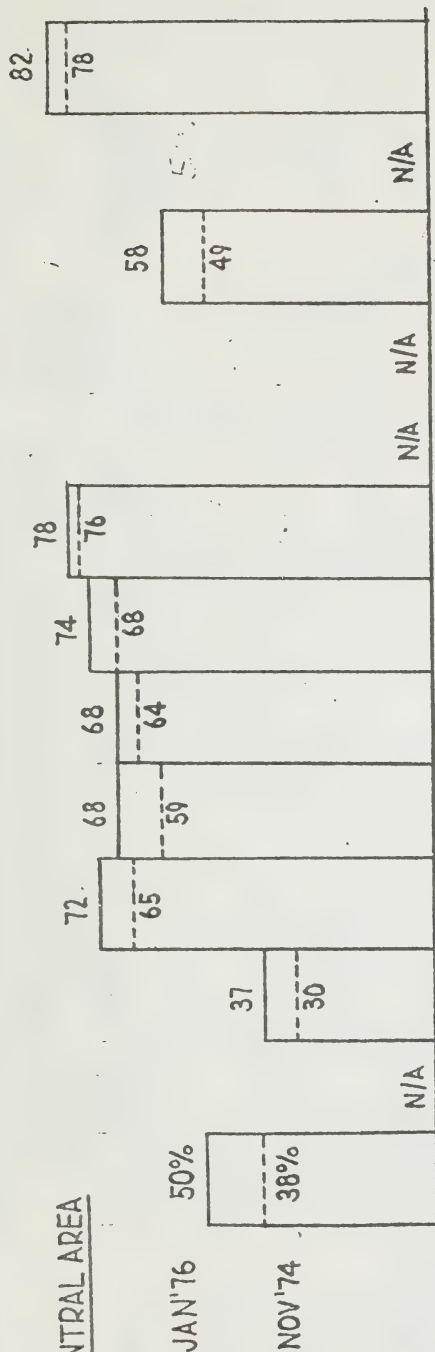
BUTCH CASSIDY AND THE SUNDANCE
KID

WANTED: THE SUNDANCE WOMAN

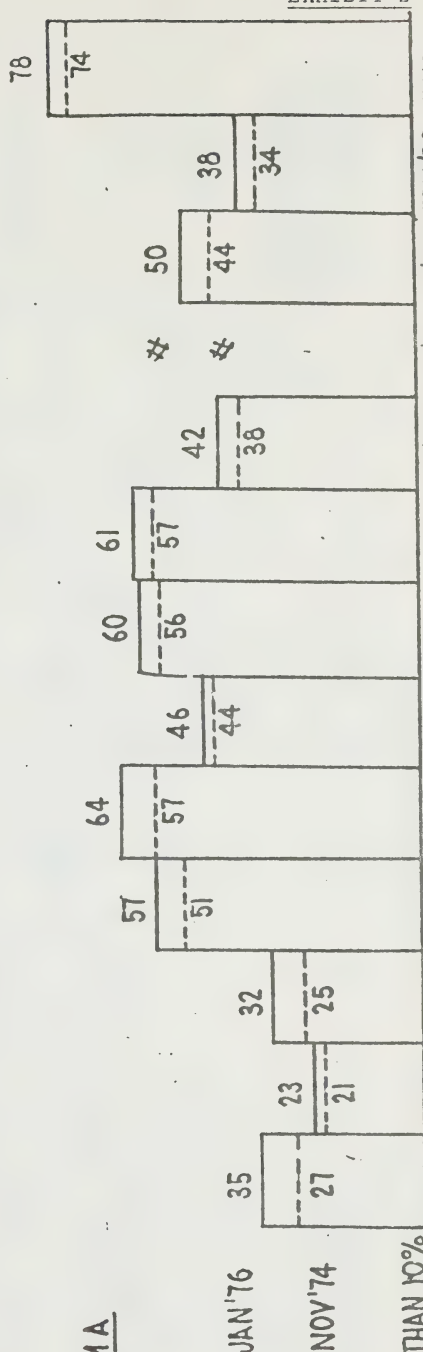
*THE WAY WE WERE

CABLE PENETRATION BY MARKET (PER CENT OF TV HOUSEHOLDS CABLE EQUIPPED)

CENTRAL AREA



DMA



* LESS THAN 10%
N/A - NOT AVAILABLE HALIFAX QUE. MONT. OTTAWA TORONTO HAMIL. KITCH/WAT LONDON WPG/BBAN REG/M.J. CAL/LETH EDM/RD. VANC.

PERCENT CHANGE
VS PREVIOUS PERIOD

+11%

5†

$$\frac{0}{+}$$

4

Of

7+

9+

CABLE VS NON-CABLE
PERCENT CHANGE
JAN'76 VS NOV'74

14,395

13,544

%b-

12,671

12.665

12,150

HHL'D. HOURS OF TUNING (000)

11,093

10,565

4,037

(91c7)

(0117)

NON-CABLE

5,276

4,770
(43%)

100

CABLE

5,289

6,323

8,113

9,777

10,004

11,040

12.104

+10%

JAN'70

NOV 170

11. NOV

NOV '72

NOV '73

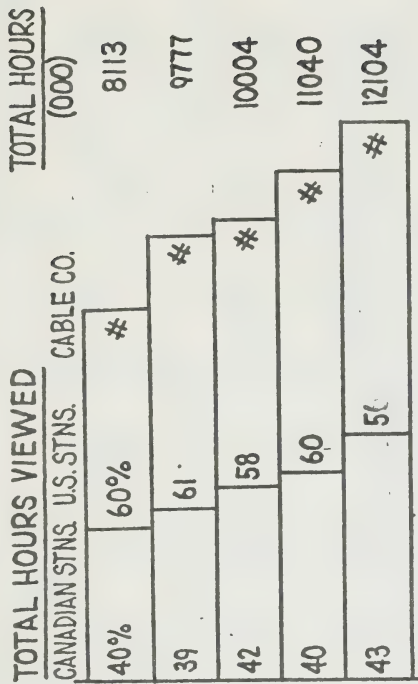
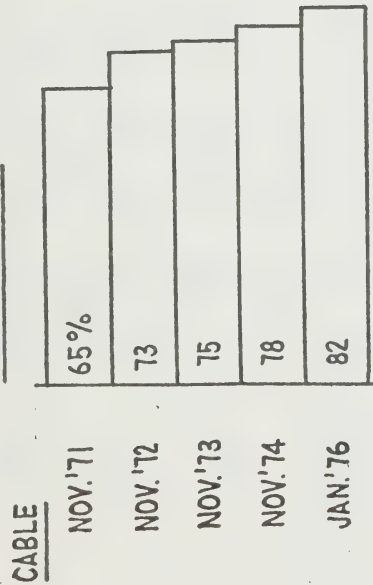
NOV 174

JAN'76

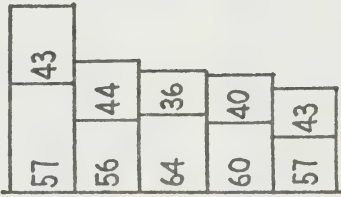
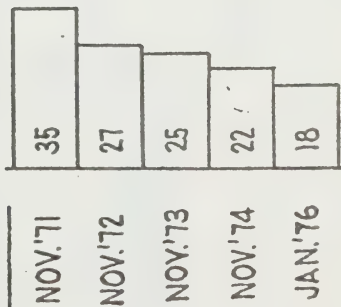
DIVISION OF VIEWING BY STATION ORIGATION HOURS OF VIEWING ANALYSIS

MONDAY-SUNDAY VANCOUVER -METRO AREA 8:00 AM - 12:00 MID.

TV HOUSEHOLDS



NON-CABLE



4037
2888
2667
2504
2291

* LESS THAN 7% OF DIARIES TUNED

HOUSEHOLD HOURS OF TUNING SHARES BY STATION

CABLE VS NON-CABLE HOUSEHOLDS

AVERAGE WEEK - VANCOUVER CENTRAL AREA

MONDAY TO FRIDAY - 8:00 AM - 12:00 MIDNIGHT

CABLE

NON-CABLE

% CHG. VS. PREV. P22
TOT. HRS. TUNED (000)

	NOV. '72	NOV. '73	NOV. '74	JAN. '76	NOV. '72	NOV. '73	NOV. '74	JAN. '76
CHAN	17% (1116)	19% (1363)	16% (1180)	18% (1598)	21% (400)	31% (567)	25% (438)	25% (401)
CHAN/CHEK	21 (429)	24 (1672)	21 (1582)	25 (2149)	28 (546)	35 (649)	34 (596)	36 (576)
CBUT	17 (1151)	17 (1167)	15 (1119)	18 (1527)	26 (499)	27 (494)	22 (395)	19 (308)
KVOS	19 (1291)	17 (1176)	17 (1305)	14 (1235)	32 (622)	28 (510)	27 (480)	27 (435)
KOMO	14 (969)	15 (1043)	14 (1101)	15 (1307)	5 (105)	5 (80)	7 (125)	8 (128)
KIRO	13 (837)	11 (758)	13 (971)	10 (823)	4 (137)	4 (137)	4 (171)	5 (86)
KING	13 (842)	12 (852)	14 (1053)	11 (977)	4 (170)	4 (181)	5 (81)	5 (86)
KSTW	1 (495)	2 (114)	3 (190)	2 (167)	4 (100)	4 (100)	4 (100)	4 (100)

JAN. '76

NOV. '74

NOV. '73

NOV. '72

#BELOW MINIMUM REPORTING STANDARDS

PRIME TIME COMPETITIVE AUDIENCE SHARE ANALYSIS TORONTO CENTRAL AREA - 7PM TO 11PM MONDAY TO SUNDAY

POINT DIF
 MAR.'76 vs
 NOV.'71

-11

-

+1

-4

CBLT/CFTO/CHCH	588	55	53	50	49	47
	37	40	39	37	33	33
*CITY/CKGN OTHERS	5	2	2	5	11	14
	5	3	6	3	9	11
WBEN/WGR/WKBW	5	3	6	8	7	6
	5	3	6	8	7	6

NOV.'71 NOV.'72 NOV.'73 NOV.'74 JAN.'76 MAR.'76

* CITY-TV NOT ON AIR NOV.'71 ** CKGN-TV NOT ON AIR NOV.'71, '72, & '73

972-2/1
P. (1/1)

Joint Broadcast Committee



ASSOCIATION OF CANADIAN ADVERTISERS INC.
INSTITUTE OF CANADIAN ADVERTISING

September 29, 1976

Mr. Guy Lefebvre
Director-General of Licensing
Canadian Radio & Television Commission
100 Metcalfe Street
Ottawa, Ontario
K1A 0N2

COMMENT Received by - Regis. Sec.
COMMENTAIRE SECRETARIAT

63

OCT. 1 1976

RE: Submission by the Joint Broadcast Committee
of the Association of Canadian Advertisers
and the Institute of Canadian Advertising
regarding a PAY-TV policy for Canada.

J.B.C.

Dear Sir:

In requesting submissions regarding the development of a PAY-TV program agency, the Hon. Jeanne Sauvé, Minister of Communications urged the development of a structure to maximise pay television's potential benefits for the Canadian broadcasting system.

While our committee does not have the particular expertise to make specific proposals with regard to the structure of such an agency, we have a point-of-view which we believe can make a significant contribution to the achievement of the Minister's objective.

In the past, our industry has opposed the introduction of PAY-TV. We have been, and continue to be, concerned as to the fragmentation both in terms of audiences and creative effort, and the possible deleterious effect on the current television environment. This paper recognizes the position put forward by the Minister of Communications, that the advent of PAY-TV is inevitable. If PAY-TV is introduced, we believe the advertising industry can and should participate in it, and in so doing, can make a major contribution.

We understand that advertising has been precluded from the PAY-TV milieu in the United States and our general expectation in Canada would be for the same exclusion. We believe this might prove to be a short-sighted view and could lead to a decision that would deprive the new industry of a major funding source.

We perceive the Canadian PAY-TV market to be quite different than that in the U.S. Currently, in Canada, PAY-TV already exists, in effect, for some 40% of television households who buy additional TV channels through cable subscriptions. 100% of households pay for our national C.B.C. networks through their tax dollars. In the Toronto area, converter subscribers pay over one hundred dollars per year to receive up to seventeen channels. No such choice existed in the United States. Our view is that PAY-TV will be a tougher sale in Canada because of the additional choice Canadians already enjoy and have enjoyed for a long time.

In particular we believe that Canadians will be especially resistant to another subscription service requiring additional monthly payments. We think they will be more likely to be attracted by a pay-for-play system. In addition we think that a pay-for-play system would encourage better programming, and therefore a better choice for the viewer.

The infusion of advertiser funds could be important in -

- (i) making programs available at lower cost to viewers;
- (ii) adding substantially to the initial investment for program ventures;
- (iii) providing the additional revenue required to achieve the quality of production essential for the possible sale of Canadian produced programs in U.S. and abroad.
- (iv) helping increase the variety and the quality of programs for use by off-air broadcasters, to help them maintain their audiences and thereby sustain their only source of revenue, i.e. commercial advertising.

It is our firm belief that some form of advertising could be included in PAY-TV programs in a manner that is not only acceptable to the viewers, but to an extent that would generate additional funds sufficient to substantially help the achievement of the objectives established by the Minister.

Canadians already pay for media which carry advertising. Magazines and newspapers could not exist without both sources of revenue. As noted earlier, cable subscribers pay to receive additional TV channels, most of which carry commercials.

Commercial free television has, of itself, not encouraged great audience popularity, e.g. O.E.C.A. Therefore, we maintain that a commercial free environment is not fundamental to PAY-TV's success. What is fundamental is the programming choice.

Advertising could provide the means of affording that choice.

Specifically, our industry seeks:

- (i) access to PAY-TV through limited commercial content: thereby contributing to funding of program production.
- (ii) A channel leasing availability that would allow an advertiser to purchase time for promotional programs e.g. automotive introductions, retail fashion shows.
- (iii) A pay-for-play system rather than channel subscription.

We are sure that the Minister and the Commission will agree that the sum total of all experiences of PAY-TV in the United States, and the submissions of all interested parties, cannot provide a definitive formula for success. We firmly believe that because of the broad range of variables and unknowns and, because of the possible harm to the present broadcast system by a precipitous introduction of PAY-TV in Canada, the introduction should be on a step-by-step basis, in a manner and at a pace that will not seriously affect the present system. Phase one might even be considered a form of test.

An advantage of a pay-for-play system is that it would also provide a built-in measurement as to the size of audience.

Because a measurement system would exist, we would be able to tell very quickly whether viewers would purchase programs with limited commercial content. Our belief is that they will.

The Commission is well aware that the advertising industry provides the main financial support for commercial television and 20% of its on-air content. We are concerned at the rapid fragmentation of television audiences in this country. PAY-TV will further fragment these audiences. Therefore we ask that we be able to protect our interests to some degree, the interests of the present off-air broadcast system, and at the same time provide financial assistance to a new industry to help achieve the objectives set by the Minister.

We believe the Commission will agree that we share a community of interest in the introduction of PAY-TV and in the welfare of the broadcast system of Canada.

We welcome any opportunity to discuss our proposals further and would make representatives of our Committee available at an appropriate time.

Sincerely,



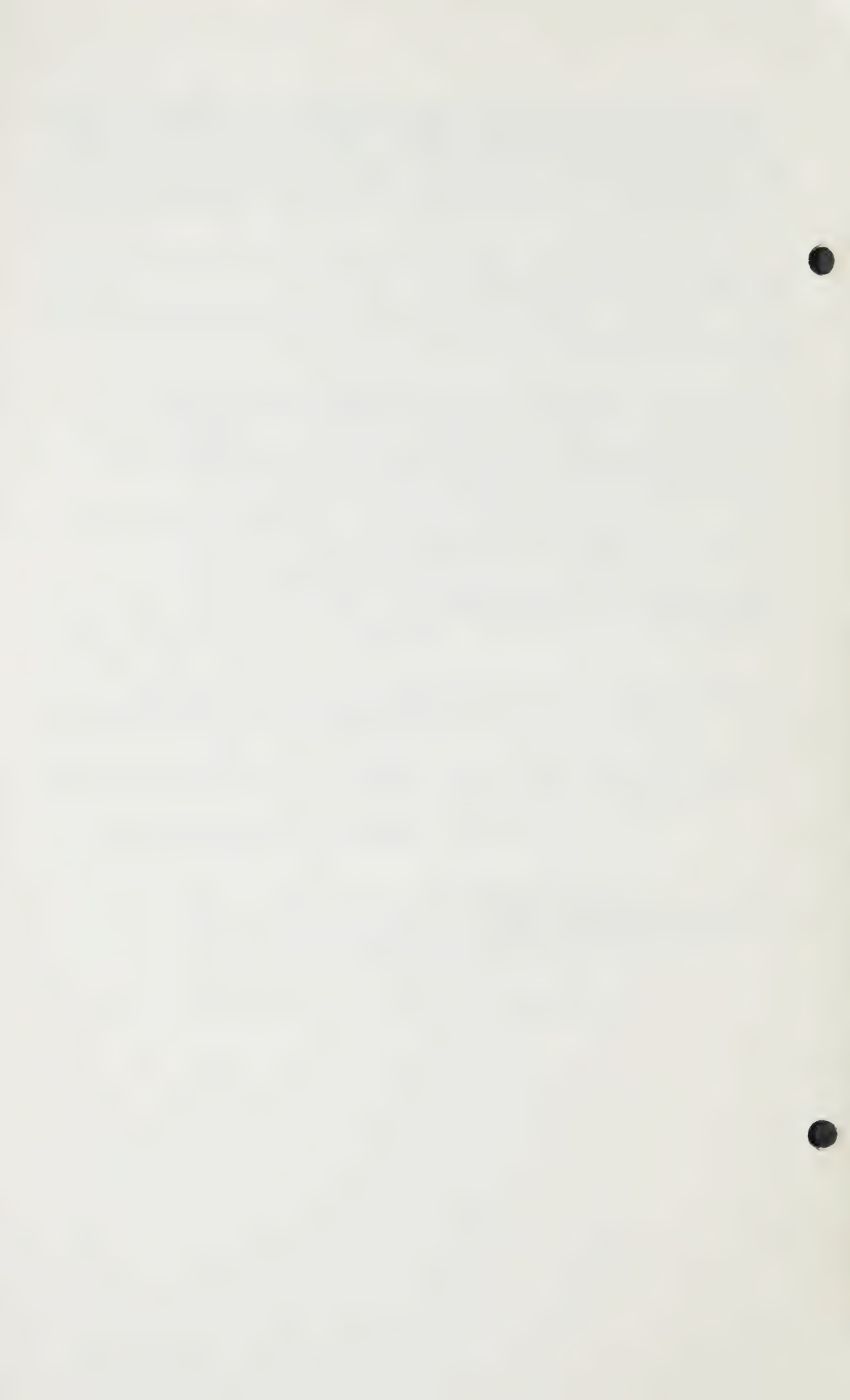
Committee Co-Chairman-ACA: P.D.G. Hopkins



Committee Co-Chairman-ICA: H.R. Ross

PDGH/jcm

cc: The Honourable Jeanne Sauvé -
Minister of Communications



ASSOCIATION
DES
PRODUCTEURS
DE
FILMS
DU
QUEBEC

Received by - Reçu par
SECRETARIAT

OCT 1 1976



COMMENT
COMMENTAIRE

64

MEMOIRE AU

CONSEIL DE LA RADIO-TELEVISION CANADIENNE

CONCERNANT

LA TELEVISION A PEAGE

PRESENTE PAR

L'ASSOCIATION DES PRODUCTEURS DE FILMS DU QUEBEC

LE 30 SEPTEMBRE 1976

ASSOCIATION DES PRODUCTEURS DE FILMS DU QUÉBEC

page 1.

L'Association des Producteurs de Films du Québec représente la majorité des maisons de production de film au Québec.

Ces maisons sont responsables de la production d'environ 90 pour cent des films de long métrage, films publicitaires, films documentaires, éducatifs et industriels ainsi que des films de télévision. L'Association regroupe également toutes les entreprises qui produisent sur bande vidéo.

Est-il nécessaire en commençant ce court mémoire de souligner combien la création d'un système de télévision à péage pourrait influencer sur la vie économique et créatrice des maisons de production, membres de notre association.

La création d'un système de télévision à péage est-elle souhaitable?

/2...

L'Association des Producteurs de Films du Québec ne s'oppose pas à la création immédiate d'un système de télévision à péage, mais espère que les autorités gouvernementales procéderont en cette matière avec la plus grande circonspection de manière à protéger le mieux possible les intérêts des producteurs de films et les intérêts du public consommateur de télévision.

Les intérêts des producteurs de films se définissent aisément:

- 1) agrandissement de leur marché
- 2) stimulation des investissements
- 3) sauvegarde du marché indigène

Pourtant bien simples, ces intérêts n'ont pas toujours été bien servis par les décisions des autorités régissant le domaine de la télévision.

L'accès du producteur indépendant au marché d'exploitation

/3...

du cinéma passe presque toujours par le chas de compagnies étrangères tandis qu'il passe toujours dans le domaine de la télévision par le chas tout aussi étroit de réseaux patronaux qui ont développé leurs propres facilités de production et qui offrent pour les produits canadiens les mêmes prix de "dumping" que pour les produits étrangers dont les coûts de production ont en général été amortis sur leurs territoires respectifs.

En matière d'exploitation de cinéma, nous faisons donc face au contrôle étranger; en matière de diffusion à la télévision, nous faisons face à l'ignorance et au mépris grandissants des réseaux de télévision pour la production qui ne dépend pas d'eux.

Si la télévision à péage allait empirer cette situation, la vitalité déjà compromise de notre industrie cinématographique pourrait ainsi encaisser un coup encore plus meurtrier.

/4...

Il est fondamental que la mise sur pied d'un système de télévision à péage devienne un facteur important d'agrandissement du marché des producteurs.

Il ne s'agit donc pas pour les autorités d'établir uniquement un contingentement ou de fixer un prélèvement des recettes à être retournées à la production, mais bien plutôt de chercher une formule nouvelle qui permettra à la télévision à péage de se développer en fonction de la spécificité de la production et du marché canadien et québécois.

Toute recherche de formule nouvelle ne saurait, selon nous, se faire sans la participation directe des producteurs de film.

L'Association des Producteurs de Films du Québec recommande qu'une agence mixte (industrie privée-Etat) soit mise sur pied pour administrer la télévision à péage et demande que les producteurs y aient une place prépondérante.

ASSOCIATION
DES
PRODUCTEURS
DE
FILMS
DU,
QUÉBEC

page 5.

Notre association s'oppose cependant à ce que des organismes gouvernementaux déjà existants (L'Office National du Film, la Société Radio-Canada ou la Société de Développement de l'Industrie Cinématographique Canadienne) se voient confier la responsabilité de toute agence de télévision à péage.

L'Association recommande également que l'instauration de ce nouveau système de diffusion se fasse avec le minimum de capitalisation pour les installations techniques afin que la plus grande partie des revenus du système soit retournée à la production.

Pour cette raison, l'Association serait prête à recommander que le mode de distribution de la télévision à péage passe par le système actuel de cablo-distribution, pourvu que le Conseil de la Radio-Télévision Canadienne s'assure avec fermeté que les entreprises de cablo-distribution ne deviennent pas un intermédiaire trop

/6...

coûteux entre la production et la consommation.

L'Association croit aussi qu'il ne serait pas souhaitable que le long métrage constitue l'essentiel de la programmation de la télévision à péage. L'industrie canadienne de long métrage - en dépit des revenus dérivés de la télévision à péage - ne pourrait jamais suffire à la demande ainsi créée et nous nous retrouverions tôt ou tard avec un système de télévision diffusant une quantité majoritaire de produits étrangers.

La télévision à péage en s'écartant ainsi du modèle américain - soucieux surtout de la diffusion de films de long métrage et d'événements sportifs - contribuerait à encourager la production nationale à se définir de nouvelles frontières.

Notre association soutient donc que le développement de nouveaux concepts de production, de programmes et de produits sont plus susceptibles de nous ouvrir les marchés étrangers

/7...

selon les voeux exprimés par le ministre des Communications,
Madame Jeanne Sauvé, dans un discours en juin dernier.

Notre association désire relever un des points du mémoire
soumis au Conseil de la Radio-Télévision Canadienne par
la Société de Développement de l'Industrie Cinématographique
Canadienne, au mois de juin 1975, au sujet de la télévision
à péage.

Dans ce mémoire, la Société de Développement de l'Industrie
Cinématographique Canadienne indique que le Conseil de la
Radio-Télévision Canadienne devrait poser, dès les débuts de
la télévision à péage, deux conditions à l'obtention du
permis: le contingentement pour la projection de films cana-
diens et le système de prélèvement sur les recettes.

Si cette recommandation de la Société de Développement de
l'Industrie Cinématographique Canadienne devait être appli-
quée à la télévision à péage, notre association aimerait la

/8...

DES

QUEBEC

voir également étendue (au moins pour la première partie) aux réseaux de télévision nationaux qui ont jusqu'ici - même en suivant à la lettre les ordonnances du Conseil de la Radio-Télévision Canadienne quant au contenu canadien - négligé de donner à l'industrie canadienne du long métrage la place de choix qu'elle devrait avoir à l'antenne. Il importe pour nous de souligner à quel point les réseaux d'Etat et les réseaux privés de télévision canadienne ont failli à leur rôle de stimuler par tous les moyens la production nationale de longs métrages et combien ils ont contribué à l'implantation encore plus grande du cinéma étranger au Canada.

Aucun prélèvement sur les recettes, aucun contingentement aussi rigide soit-il, ne sauront être favorables aux producteurs de films si la télévision à péage allait calquer ici son développement sur les modèles américains.

Il faut que cette télévision à péage agrandisse pour les

/9...

producteurs le marché du film de long métrage et le marché du film traditionnel, mais il faut aussi qu'elle constitue par sa formule un marché nouveau et différent pour des produits qui seront eux aussi nouveaux et différents.

L'Association des Producteurs de Films du Québec prétend que ses membres sont bien placés pour relever ce défi et c'est pourquoi elle réclame pour eux une part active dans la formation de toute agence de télévision à péage.

L'implantation d'un système de télévision à péage risque d'avoir pour l'industrie et les producteurs de films en général des répercussions trop considérables pour que nous soyons écartés de son développement; ou encore que ce développement soit laissé uniquement entre les mains d'entreprises dont l'objectif fondamental est davantage d'ache-miner le produit que d'en déterminer le contenu et la qualité.

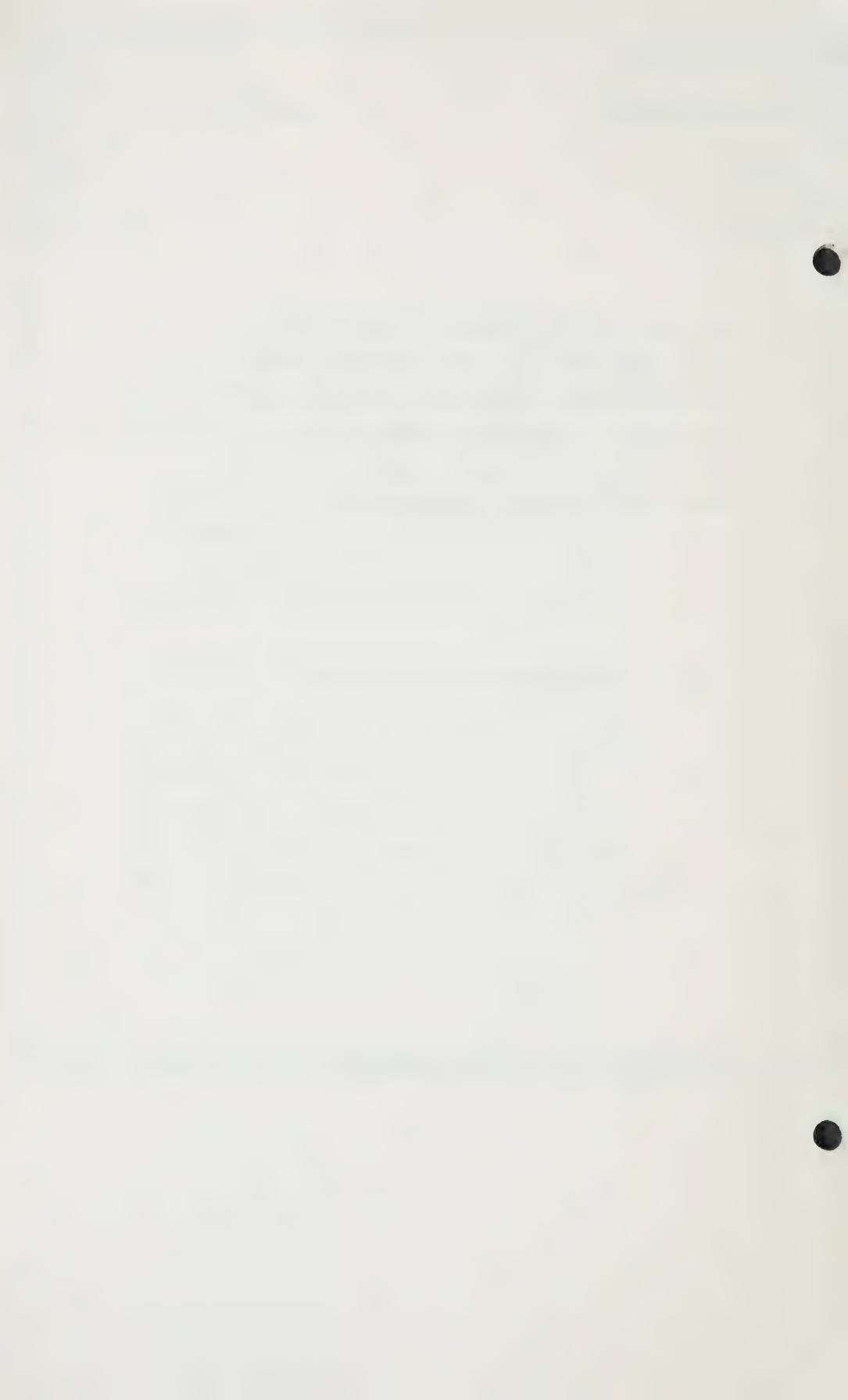
/10...

ASSOCIATION DES PRODUCTEURS DE FILMS DU QUÉBEC

page 10.

Cette qualité et cette originalité du produit étant les facteurs déterminants de la survie économique du producteur, comment l'Etat pourrait-il mieux s'assurer des mêmes exigences de qualité et d'originalité pour la télévision à péage qu'en recourant aux producteurs pour en établir la mise en train et la programmation?

L'Association des Producteurs de Films du Québec.





ASDA COMMUNICATIONS CONSULTANTS

OX
sm 610.02
01 Oct 76

Mr. H. Boyle,
Chairman,
Canadian Radio
Television Commission,
Berger Building,
100 Metcalfe Street,
Ottawa, Ontario.
K1A 0N2

RE: Pay-TV Policy

COMMENT
COMMENTAIRE

#65

Dear Mr. Boyle,

In addition to views, outlined in the October issue of "ASDA-Gram", I would like to offer some purely personal comments.

The essentially "popular" TV fare proposed for Pay-TV holds no attraction whatever for me personally.

- o Good new films are rare; rarer from the U.S. and virtually non-existent from Canada.
- o Old films are being shown in abundance already.
- o I am not craving for the exchange of more blows or bullets on TV - for good causes or sinister ones.
- o I can resist the fascination of balls of various shapes and sizes flitting across the screen.
- o "Blue" movies (if considered for Pay-TV) seem an undue restriction for my TV set, equipped with full colour capacity.

Which leaves me very little to look forward to amongst "standard fare". I find it difficult to believe that out of this environment should somehow and miraculously grow excellent and worthwhile Canadian productions.

Of course, I have no right whatever to impose my "minority views", nor am I trying to do this. I am more concerned that a majority decision may be rammed down my throat.

Example: I have been forced to pay premium prices for TV sets equipped for UHF; I have yet to make use of that capacity.

Example: I have, in recent years, elected to buy only FM-equipped radios, but would resent having this choice decreed.

.../2

asda limited 77 metcalfe st. ottawa K1P 5L6 canada
phone: (613) 238-2770

Example: Ottawa cablevision Licencees have recently been authorized rate increases, largely for extra quality and range of service; it enabled them to peddle new equipment to increase program choice and quality - and to flash notices not to bother them during signal failure, which seems to have become more frequent of late.

None of the above instances have, so far, led to my financial ruin, nor is an additional Pay-TV premium likely to.

But I am seriously concerned about the preservation of personal freedom, and specifically about the principle that options should be and remain true options for those who want them - and that this principle be applied to any form of Pay-TV service over which CRTC may exercise authority and control.

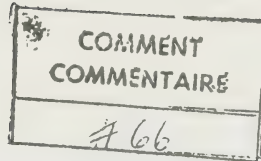
Yours sincerely,

A handwritten signature in dark ink, appearing to read 'M.H. Kassner', followed by a long horizontal line extending to the right.

M.H. Kassner, P. Eng.,
President.

September 22, 1976

M. Guy LeFebvre
Secretary-General
Canadian Radio-Television and
Telecommunications Commission
Berger Building
100 Metcalfe Street
Ottawa, Ontario



Dear M. LeFebvre:

We are somewhat bothered by the incredible speed with which the Federal Government seems to have accepted Pay-T.V. almost as a fait accompli.

There are vague references to the positive effect it will have on "the Arts", and on the Canadian Film Industry, but aside from a few generalities, nothing is detailed, nothing clear.

Despite this, the CRTC has a policy deadline set for the end of September. How can effective legislation be constructed in so short a time? The matter is far too complex. There are far too many unanswered questions. For example, Canadian Content: Who decides? Will Canadians accept such a system with almost exclusively Canadian content? They haven't to date! How will it affect our present broadcasting networks? Will there be adequate Arts offerings? What testing has been done across the country to sample community opinion, or to try it out in specific regions? There has been a flurry of studies within the last few months, but has there been a report from any of them?

Why the sudden shift to the high speed ahead by Government? Who is benefitting - the cable-T.V. people? It is too apparent that, if this is rushed through, Canadians will not benefit. There has neither been enough time to investigate thoroughly, nor arrive at carefully balanced points of view.

This whole field needs far more study - broad and deep - before any significant legislation is proposed. Such study is just getting underway. It will take time to assimilate data not yet presented in several important briefs.

We are writing to request that you do what you can to ensure more careful consideration, in all of this, for the Arts of Canada. This is not possible with the seeming acceleration toward hastily conceived legislation concerning Pay-T.V.

Received by - Recepar
SECRÉTARIAT

OCT 4 1976

C.R.T.C.

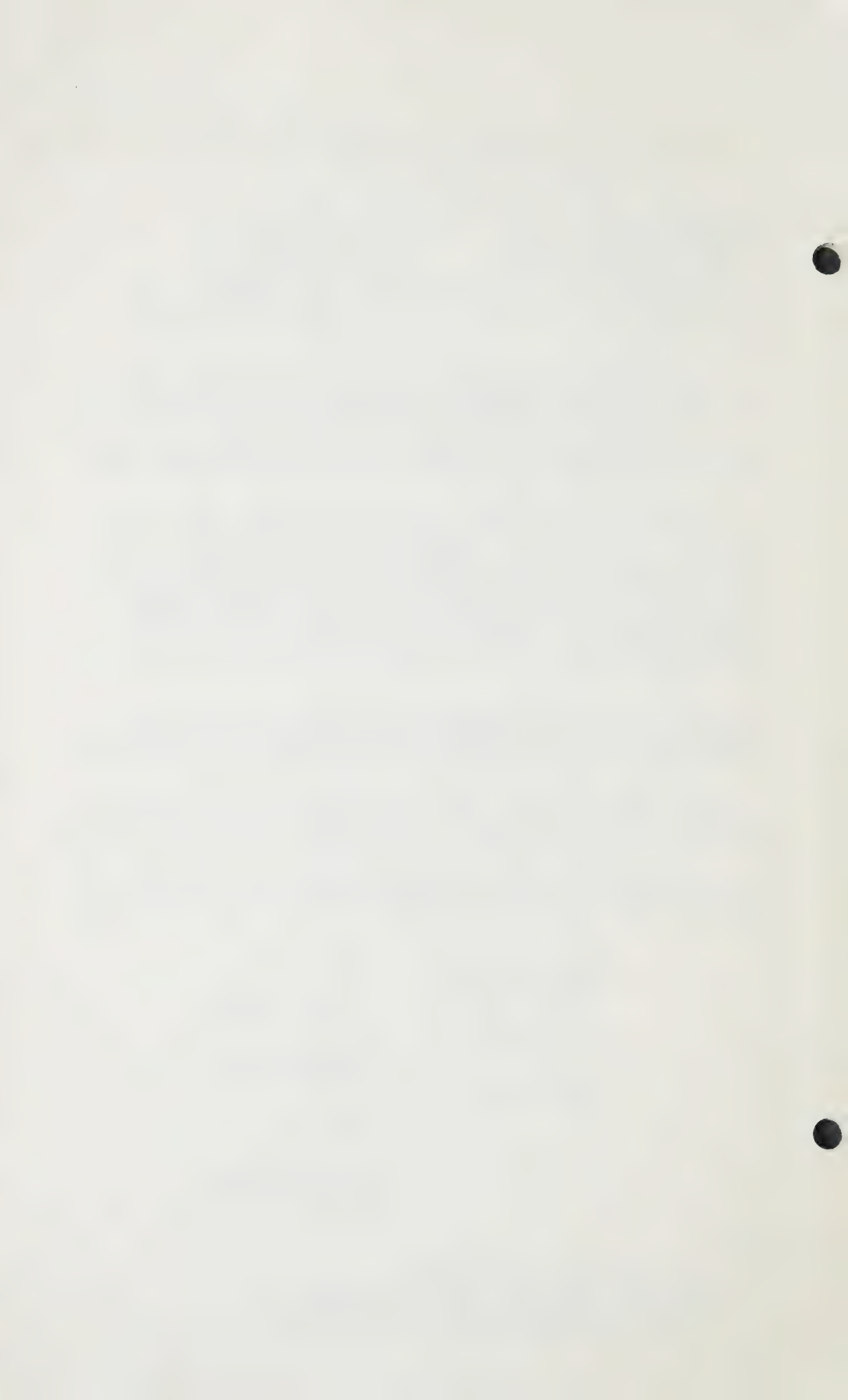
Yours sincerely,

Paul B. Murray
Paul B. Murray
15 Alderwood Drive
Halifax, Nova Scotia

Patricia Higgins
Patricia Higgins
103 Johnstone Street
Dartmouth, Nova Scotia

PM:fm

c.c. Mr. Harry J. Boyle, Chairman, CRTC
Honourable Jeanne Sauve, Minister of Communications
Honourable J. Hugh Faulkner, Secretary of State
Mr. John Hobday, National Director to C.C.A. Members



ORGANIZATION OF
SASKATCHEWAN
ARTS COUNCILS

Box 488,
Estevan, Saskatchewan.
September 29, 1976.

COMMENT
COMMENTAIRE

#67

Mr. M. Guy Lefebvre, Secretary-General,
Canadian Radio-Television & Telecommunications
Commission,
Berger Building,
100 Metcalfe Street,
Ottawa, Ontario.
K1A 0N2

Received by - Reçu par
SECRETARIAT

OCT 4 1976

C.R.T.C.

Dear Mr. Lefebvre:

On behalf of the Organization of Saskatchewan Arts Councils, we strongly urge that a decision on pay-TV be postponed until a great deal more consideration is given to methods of introduction. We believe that the regulations developed should protect the public interest in respect to the arts.

Our Organization is an umbrella for sixteen local arts councils in small cities and towns in Saskatchewan. An arts council is operated by volunteers interested in the visual and performing arts.

Our greatest concern regarding television is the quality of programming. We are also concerned that instituting pay TV might be to the advantage of large urban centres only while rural and small-town Saskatchewan may be ignored.

We see it as wasteful that cable TV should own the hardware and duplicate the equipment and repair service of the telephone company. We see current TV operations in the hands of licensed operators of TV stations as making for lower quality programming in order to sell the cable. We believe that TV should work at the local level to inform and entertain, with the objective to improve the quality of life. It should contribute to a feeling of

.....2

Mr. Guy Lefebvre

-2-

September 29, 1976.

community identity and also to the development of a Canadian identity by the exposure of Canadian artists and film makers.

We would like to see non-profit organizations used as much as possible rather than giving licenses to those who are more concerned with financial return than with quality.

We believe, therefore, that it is of the utmost importance that the whole future of pay TV be given full and careful consideration.

Yours very truly,

J. W. Oliver

J. W. Oliver, *per J.E.G.*
President, OSAC

Marguerite A. Gallaway

Marguerite A. Gallaway,
Executive Director.

JWO

MAG:jeg

cc Mr. Harry J. Boyle
Honourable Jeanne Sauve
Honourable J. Hugh Faulkner

*X
922-21
Pg (TV)*

Chum Limited

1331 Yonge Street
Toronto, Ontario M4T 1Y1
Telephone (416) 925-6666

September 29, 1976

Mr. Guy Lefebvre,
Secretary General,
Canadian Radio-Television and
Telecommunications Commission,
100 Metcalfe Street,
Ottawa, Ontario.
K1A 0N2

COMMENT
COMMENTAIRE

68

Received By - Reçu par
SECRETARIAT

OCT 4 1976

Dear Mr. Lefebvre,

C.R.T.C.

Re: The Development in Canada of a
Pay Television Program Agency

As the Commission is aware, CHUM Limited is the owner of CKVR-TV Barrie, Ontario, and the controlling shareholder in the Atlantic Television System, ATV, which consists of television stations in Halifax (CJCH), Sydney (CJCB), Moncton (CKCW) and Saint John (CKLT).

Individual briefs are being submitted by CKVR and ATV.

We commend the Minister of Communications, The Honourable Madame Sauve, for the objectives she outlined for Pay TV in Canada:

1. "A Pay Television operation or structure should maximize potential benefit for the Canadian broadcasting system and for viewer choice.
2. "It must provide a range of programming which does not duplicate that now being offered by broadcasters and must do so without siphoning programs from the broadcasting system.
3. "It must ensure the production of high-quality Canadian programs that Canadians will watch.
4. "It must ensure that programs are produced in Canada for international sale."

Mr. Guy Lefebvre

September 29, 1976

CHUM Limited feels strongly that unless these objectives can be fulfilled to the letter, that introduction of Pay TV in Canada should be postponed indefinitely.

If there is to be further consideration of Pay TV in Canada, it should be at public hearings held by the CRTC, where the full implications of Pay TV would be aired for the benefit of the Canadian public.

From our daily contacts with the people of Canada, we find no evidence whatsoever of public demand for Pay TV.

On the contrary, many Canadians feel that the cost of maintaining the CBC, estimated at close to half a billion dollars next year, is more than Canadian taxpayers care to afford.

Canadians presently have a form of Pay TV which can be called "pay cable". Nearly half the households in Canada are now paying a monthly fee, mainly for the importation of American television signals.

In addition, certain provinces have educational TV, paid for by the Canadian taxpayer.

Why, then, do we need Pay TV? We already have "Pay CBC", "Pay Cable", and "Pay Educational TV".

It is the opinion of CHUM Limited that the introduction of Pay TV in Canada, regardless of what rules are set, would inevitably lead to drastic program siphoning from the present Canadian broadcasting system.

This could mean that the Canadian public may have to pay to watch major sporting events such as the Canada Cup, the Olympic Games; regular NHL hockey and CFL football games; top notch movies and major entertainment specials.

Off air television as it is now enjoyed by nearly all Canadians could become a thing of the past. It could be relegated to running re-runs of old re-runs.

Pay TV could outbid regular TV for all the best in programming, and this programming would then only be available to those able to receive Pay TV and to those able to afford it.

Mr. Guy Lefebvre

September 29, 1976

Canadians would just not stand for this, any more than they stood still for the elimination of American FM signals from Canadian cable companies.

In the future, if the current favourite television programs were only available on Pay TV, we feel that Canadians would be extremely upset, and Ottawa would be the site of an unprecedented protest demonstration.

Canadians have shown many times in the past that they will only be pushed so far.

If the Canadian people clearly understand the implication of program siphoning by Pay TV, it is our belief that there will undoubtedly be no demand for Pay TV. On the contrary, it is our opinion that there will be the strongest possible opposition to it, particularly when many Canadians learn they may have to pay for the television that is now free, and many other Canadians, in rural areas, learn that this service is not even available to them because they are not within range of the Pay TV signals.

It is CHUM Limited's recommendation that the introduction of Pay TV in Canada be postponed indefinitely.

Sincerely,


Allan Waters.

/wl

Received by - Receps:
SECRETARIAT

OCT 4 1975

C.R.A.C.

W. L. MADDEN

Box 954

SECHENT

COMMENTAIRE 3170
COMMENTAIRE

#69

SIR,

RE PAY T.V. I AM 100%
FOR IT, AND FEEL THAT BOTH
TV & CABLE COMPANIES SHOULD BE
ABLE TO OPERATE PAY TV SYSTEMS.
AM ABSOLUTELY OPPOSED TO
ANY CANADIAN CONTENT RULING
SUCH AS EXISTS ON CONVENTIONAL T.V.
AND RADIO STATIONS. CANADIAN CONTENT
REGULATIONS HAVE IN MY OPINION
DONE NOTHING TO IMPROVE CBC
PROGRAMS, THE ONLY BENEFICIARIES
BEING A.C.T.R.A. MEMBERS WHO WE
SEE IN SUCH MEDIOCRE SHOWS
AS "THE SUNSHINE HOUR", "THIS IS
THE LAW" AND SO ON AND NAUGHTY.
FURTHERMORE THE CBC
CARRIES FAR TOO MANY SPORTING
EVENTS. I HAVE SEEN BROADCASTED
A FOOTBALL GAME AND TWO RAIL
BALL GAMES IN THE SAME WEEK.
ALSO IN THE SPRING BROADCAST
A HOCKEY GAME IN A TWO DAY

2

ERIOD, THE C.B.C. SEEMS TO MORE
YOUT FROM VIEWERS, SO I WOULD
WISHED WOULD TO
IT COULD TO
HAT SOME SPORTS EVENTS
ULD BE CARRIED ON PAY T.V.
I SHOULD MY TAX DOLLARS
E USED TO EATER ON SUCH A
ARGE SCALE TO SPORTS FANS?
IF CANADIAN

CONTENT RULES APPLY TO PAY T.V.
HOPE MORE THAN ONE CHANNEL
LL BE ALLOWED E.G. ① CANADIAN
ILMS & SPORTING EVENTS, ② BALLET, OPERA
ETC. ③ FILMS & SHOWS FROM OTHER
COUNTRIES.

I OPERATE A FARM
N FOX VALLEY SASK. I SPEND
APRIL TO SEPT INCLUSIVE ON THE
FARM, THE ONLY T.V. AVAILABLE
IS CHAT T.V. FROM MEDICINE HAT
HEN I COMPARE THIS WITH THE
VARIETY OF CHANNELS AVAILABLE
I REJECT ITS VERY ANNOYING
IS ANYTHING BEING
OR CANADIANS WHO HAVE ONLY ONE
CHANNEL TO WATCH?

3

IN CONCLUSION I ALSO
WISH TO COMPLAIN ABOUT THE
LACK OF C.B.C. F.M. FACILITIES
IN THE REGION OF FCT VALLEY.
I HAVE NOTHING BUT PRAISE
FOR THE C.B.C. F.M. RADIO PROGRAMS,
ONLY I COULD RECEIVE IT ON
THE FARM I WOULD BE HAPPY.

YOURS TRULY

(MR) W. L. MADDEN

P.S. AMERICAN PROGRAMS DON'T
THREATEN MY IDENTITY. I KNOW
WHO AND WHAT I AM. DO YOU?

WLM

